OCTOBER 1954

Mortgage Banker

in this issue

1955 MBA Calendar

January 25-27—Senior Executives Course, New York University, New York.

February 24-25—Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago.

March 28-29—Southwestern Mortgage Clinic, The Mayo, Tulsa.

March 31-April 1—Southern Mortgage Clinic, The Dinkler-Tutwiler, Birmingham.

May 2-3—Eastern Mortgage Conference, Hotel Commodore, New York.

June 12-18—School of Mortgage Banking, Course I, Northwestern University, Chicago.

June 19-25—School of Mortgage Banking, Course II, Northwestern University, Chicago.

July 31-August 6—School of Mortgage Banking, Course I, Stanford University, Stanford, Calif.

October 31-November 3—42nd Annual Convention, Statler Hotel and Biltmore Hotel, Los Angeles.

THIS MONTH'S COVER

It's an exchange of congratulations, retiring president W. A. Clarke complimenting President-elect Wallace Moir and Mr. Moir thanking Mr. Clarke for a job well done. The past year was one of the busiest MBA has ever had. The meeting schedule was heavy and the industry problems appeared in almost endless succession. The burden of the Association presidency was heavy. Cheerfully, with no conservation of his time and energy, President Clarke met them all; and how well he met them was evident by the expressions of thanks from members at Convention time.

The Mortgage Banker

please route to:

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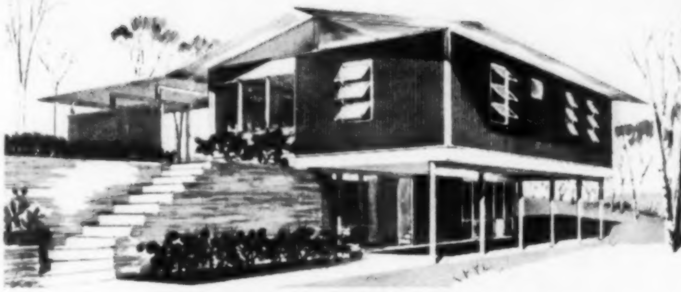

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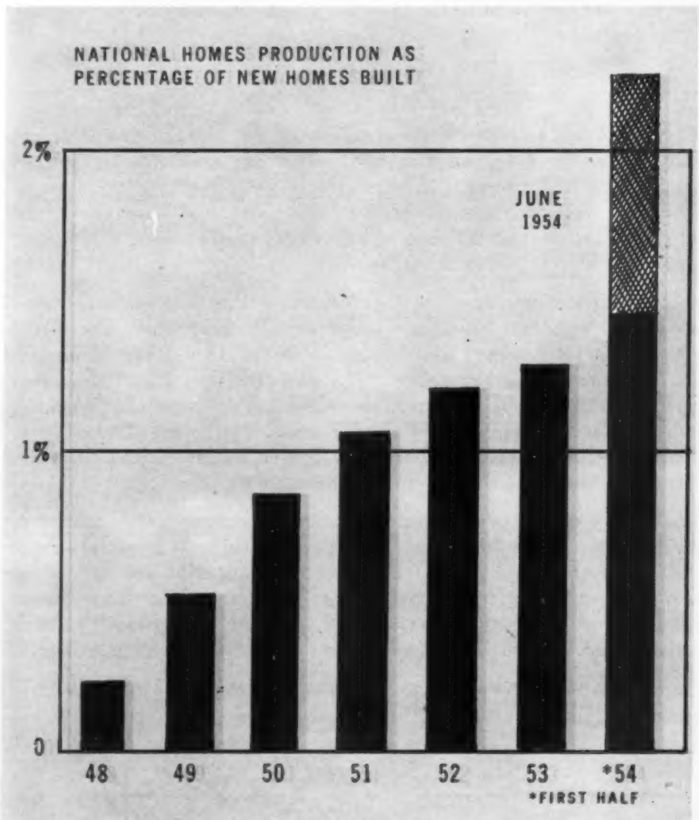

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●

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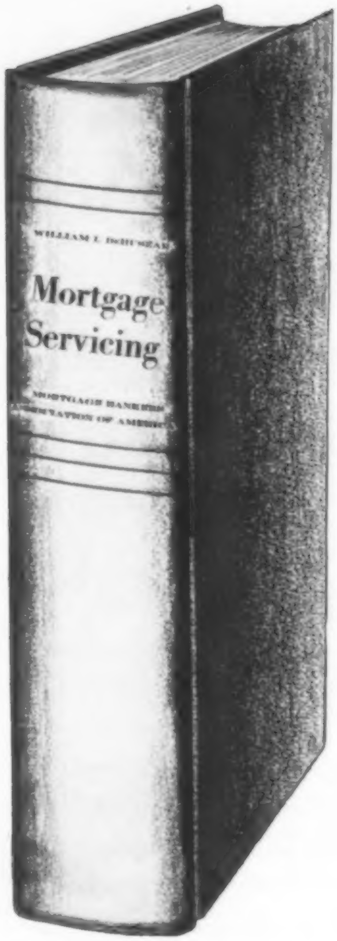

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By William I. De Huszar

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ABOUT THE AUTHOR

As an authority on all aspects of mortgage loan servicing, the author has no contemporary with such wide experience. He has studied and researched every phase of mortgage servicing as no one else has done and has told the story in his new work.

Mr. De Huszar is treasurer of Dovenmuehle, Inc. of Chicago, one of the nation's oldest and largest mortgage houses, has long served on MBA Servicing Committees and is editorial director of the Servicing Department of *The Mortgage Banker*. He has often addressed MBA meetings. He graduated from the University of Chicago with a degree in business administration.

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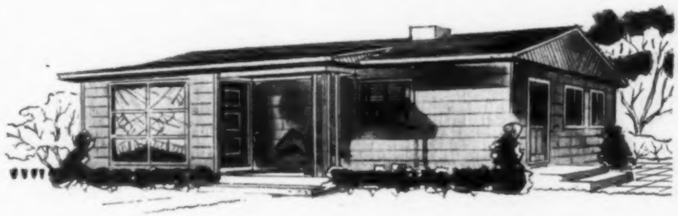

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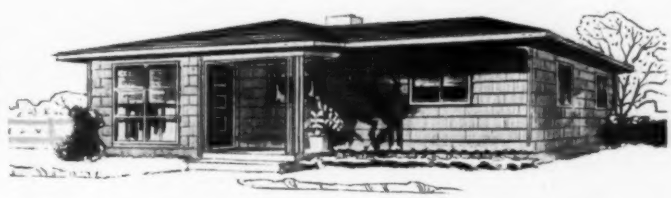

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A PROSPEROUS 1955

No reason why it shouldn't be that way. Cuts in federal spending for defense shouldn't make it an unfavorable business year since only about 1½ per cent increased consumer purchases are needed to offset governmental expenditures. What this country has done is to master production; now it will have to tackle and solve the problem of consumption. And Mr. Johnson says it can be done. His opinion counts for something because as vice president and director of research of J. Walter Thompson Company, largest advertising agency, it's his business to get the economic facts of life.

By ARNO H. JOHNSON

WE DO not need to have any sustained downswing in our economy because defense needs are less or because inflation pressures have abated—these are favorable rather than unfavorable factors and can lead to new levels of prosperity. But the attainment of new levels of prosperity will depend largely on our recognition that expanding consumption through mass movements to better living standards is the key to keeping our production and employment high—and is the key also to a strong defense and a balanced budget.

This is a challenge because the change from a production economy, heavily influenced by government, to a consumption economy of individual enterprise places the burden on selling, on finding needs and creating desires and on improving products or developing new products to meet these needs and potential desires.

We have experienced the miracle of production—now, through the magic of consumption, we have the opportunity to keep our economy dynamic and growing. The magic of consumption offers an opportunity for utilizing our increased productive ability in the positive form of a better standard of living.

Only a 1½ per cent increase in consumer buying in 1954-55 is needed to offset defense cuts.

Much of the pessimism for 1954-55 is predicated on expected cutback in Federal cash expenditures for defense. It is not generally realized that it would take an increase of only 1½ per cent in the consumer standard of living to offset this decline in 1954-55. Federal cash outlays for the calendar year 1953 were $76.5 billion and for 1954 are expected to be about $73.0 billion—a drop of $3.5 billion. Consumer purchases, from the 1953 level of $230 billion, would need to increase only 1½ per cent to offset this much of a drop. Just a 5 per cent increase in living standards could offset more than a $10 billion cut in defense expenditures—a far deeper cut than is now contemplated.

In building, therefore, for continued and increasing prosperity in 1954-55 the nation faces a major task right now—that of selling a higher standard of living to our American population so that we can offset decreased government purchases with increased consumer purchases.

A 10 per cent increase possible in 1955 and a third higher standard of living by 1960.

Instead of the widely predicted depression my analysis of our present productive ability and consumer purchasing power points to just the opposite—to an immediate opportunity for a 10 per cent increase in sales of consumer goods and services and thus in our standard of living within the next 1½ years. And this 10 per cent increase by the end of 1955 in consumer demand for goods and services could have a truly magical effect on government finances and lowered tax rates; on our ability to provide a strong defense; and on industrial markets through stimulating needs for further improvement in productive facilities.

An increase, for example, of only 10 per cent in total consumer purchases of goods and services from the level of $230 billion in 1953 would so broaden the various bases for taxes that we could balance the Federal budget and even provide a surplus at lower tax rates—and still have about $50 billion annually for a continued strong defense.

Beyond the immediate opportunity for a 10 per cent increase in 1955, we have the broader real opportunity for a third higher standard of living by 1960.

In terms of constant 1953 dollars, our per capita productivity increased from $1,560 in 1940 to $2,380 in 1944 (real gross national product divided by population). A similar per capita

productivity for our 179 million population in 1960 could mean a gross national product of $425 billion by 1960 in terms of 1953 dollars, and could provide the purchasing power for a standard of living approximately one-third higher than the peak level of 1953.

The level of productivity necessary to provide for a continued strong defense and an increase of one third in the standard of living by 1960 should be considered a minimum opportunity because it would require only reaching the production level actually reached per capita in 1944 when our tools of production were far less adequate. An increase of only 2 per cent per year in production over the levels reached in 1953 will mean a production of over $425 billion annually by 1960.

Can we consume one-third more by 1960?

Purchasing power is created by production. Our increased productivity already has made possible an advance of 62 per cent since 1940 in our total real standard of living — even after adjustment for inflation, higher taxes, and heavy defense needs, and in spite of many crippling restrictions on production and incentive. Further utilization of our productive ability per capita can continue to add to our real purchasing power. If we utilize our productive ability only up to the point proved possible in 1944 we can have the purchasing power to give our people a standard of living one-third higher than at present by 1960, and still maintain a strong defense.

The purchasing power will be available for this kind of an increase in consumer purchases, and our productive ability has been proved. Aggressive selling and advertising is needed to bring consumption up to productive ability.

Increased marketing opportunities exist because of the shift of millions of families to better income groups.

Early in 1954 there were six times as many families (consumer spending units) with incomes over $3,000 as there were in 1941. Nearly 29 million families have moved up above $3,000. The 34.7 million with incomes over $3,000 represented 63 per cent of the 55 million total whereas in 1941 the 5.7 million represented only 14½ per cent of the 39.3 million total.

As these families moved up from one income class to the next they could represent substantially increased markets for most items in the standard of living if they were to take on the habits and desires of the income group into which they move. This is true even though taxes and the cost of living have increased.

In the first quarter of 1954, for example, total real purchasing power after adjustment for present prices and taxes was 86 per cent greater than in prewar 1939. Disposable income, after taxes, in the first quarter of 1954 at $252.3 billion was $4½ billion higher than the $247.8 billion in the first quarter of 1953—and total consumer purchases at the annual rate of $230.5 billion were $1.9 billion higher than in the first quarter of 1953, and personal savings at $21.8 billion were $2.6 billion higher than in the same period of 1953. Real purchasing power has continued to increase. In April 1954 the index of wages and salaries was 4 per cent above the same month of 1953 while consumer prices were only 1 per cent higher.

Increase in purchasing power exemplified by jump in discretionary income of middle group.

Prewar our economy was typified by the $25 a week family—average weekly earnings for production workers in manufacturing in 1940 were $25.20. The "middle income" family, for example, fell in the $1,000 to $1,500 income group. Now the "middle income" family is in the $3,000 to $5,000 income group. Weekly earnings in manufacturing by January, 1954, had grown to $70.92 or nearly three times the 1940 level. After taking into account both increased taxes and present costs of maintaining an equivalent 1940 standard of living in the necessities of food, clothing, and shelter, the middle income family now has discretionary spending power nearly 4½ times as great as the prewar middle income family.

Total discretionary spending power which reached a level of $136 billion by January, 1954, was over five times as great as the $26.5 billion in 1940. That is the surplus spending power over and above what would be required to supply a per capita standard of living for the basic necessities of food, clothing, and shelter equivalent to the 1940 actual standard of living after taking into account present prices. This could reach $160 billion in 1955 or six times the prewar level.

These factors indicate that a relatively small increase in consumer purchases would more than offset any threatened cut in government expenditures, and that the level of purchasing power is high enough to warrant more aggressive marketing. In particular, the higher proportion of income in the form of discretionary spending power offers any product or class of products the opportunity for a competitive advantage in aggressive promotion. People have the money now to select and choose between items beyond bare necessities.

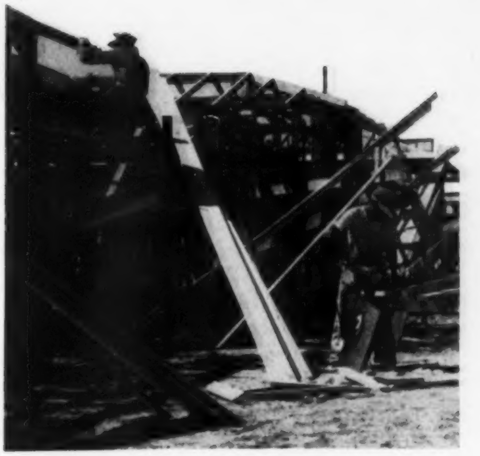
Over half of present income after taxes is discretionary spending power.

An important shift has taken place in the character of average family purchasing power. A much larger proportion now is in the discretionary classification where decisions can be made without conflicting with basic or essential needs.

In 1940, when our total disposable personal income after taxes was $75.7 billion, our population used $49.2 billion of this for basic living costs, the necessities of food, clothing, and shelter—the remaining $26.5 billion or 35 per cent was available for all other items making up the 1940 standard of living or savings. $3.7 billion represented personal savings in 1940.

To maintain the same 1940 standard of living per capita for food, clothing, and shelter in 1954 would require $114.0 billion instead of $49.2 billion because of the inflated prices of these necessities and because of the increased population to feed, clothe, and shelter. This $114.0 billion would, however, provide for the same consumption in physical units per person and of the same quality as in 1940.

But disposable personal income in 1954 is at the annual rate of $252.0 billion, so the consuming public has $138.0 billion of discretionary buying power over and above the $114.0 billion that would be needed to provide the necessities for a 1940 standard of living. This means that 55 per cent of disposable income is now in the discretionary classification—a powerful influence for future prosperity.



BUILDING OUTLOOK AS BUILDERS SEE IT

By JOHN M. DICKERMAN

Executive Director, National Association of Home Builders

IN EACH of the past five years new home building has boomed along at a million-plus rate. Despite some dire predictions, this year bids fair to be the second highest on record, with over 1,100,000 new homes started. Some feel that the bloom is off the rose and that housing demand—effective demand, in economic terms, desire plus ability to pay—will fall in the remaining years of this decade. This argument is based solely on a partial look at the housing market, on a bare biologic fact—namely, the low level of births in the thirties which in turn affects the level of marriages and new family formations in the 1950's. It ignores many aspects. This argument assumes that we have already met the pent-up needs resulting from wartime limitations and depression underbuilding, that now the American people are satisfactorily housed and that production must fall off. The argument is seductive but false and because it is only part of the story it is like any half truth, all the more dangerous.

Our housing requirements reflect many other factors. They reflect the increasing mobility of our people and their well-known tendency to migrate in search of better jobs, more attractive climate, etc. According to the Census Bureau, in each of the past three years, more than nine million families changed their addresses, about six million moving within the same county, another million and a half moving into a different county within the same state, and still another 1,600,000 families moving to a different state. Insofar as these moves are into areas of expanding population, as is frequently the case when workers move into areas offering employment, housing shortages result.

Another factor of importance in assessing our housing requirements is the volume of substandard housing. Taking the Census figures for 1950, and counting only those houses in non-farm areas which were considered "dilapidated," plus those non-dilapidated in *urban areas only* which had major plumbing deficiencies, we come up with a count of nearly seven million sub-standard units. Based on previous experience, the experts say that this figure may well be over eight million by 1960. It should be possible to bring many of these units up to reasonable standards of adequacy, but there are some which on an economic or other basis are beyond repair. The rate at which these units are replaced is another factor in our housing demand. Still another factor is losses through disaster and demolition.

Given all these factors, including a still high rate of net new family formation, we anticipate an average need over the next ten years of approximately 1,400,000 new homes per year. Add to this roughly 600,000 "new-conditioned" older homes, as a desirable target, and you have not only an industry in high gear, but one capable of meeting the greatly expanding housing demand of the mid-1960's when the swelling tide of war-born babies begin to form their own families.

Thus a vast market potential exists in home building, but we in the home building industry are fully aware that it is necessary to do something about the current market, that the potential cannot be translated into active and willing buyers without some action on the part of all of us in the industry. We know that in order to realize the full potential of that market it will be necessary for us to turn our attention to certain parts of that market which have not been too well served in recent years, despite the high building volume.

Builders are convinced that there is a large and satisfactory market in providing housing for Negro families, many of whom are willing and able to pay for better housing. There is a market potential among moderate-

income people who have been unable to find satisfactory housing in the past at terms and prices within their reach, but who might under different circumstances be able to afford such housing. There is a market among younger and growing families in need of larger quarters, and there is a market among those now living in substandard housing who may be able to afford somewhat better housing, but who have encountered difficulty at terms and prices prevailing in previous years. There is also a potential market in the housing of our older citizens in a population such as ours in which 12,500,000 people are now over 65, which figure is expected to increase to 20 million by 1970.

What this all adds up to is an extremely large job for the home building industry. Builders are responsible for producing the item—the house—which makes the buyer-lender transaction possible. The alert builder knows that a good mortgage arrangement is as much a part of his house package as is the plumbing, or design, and that it will probably play an even more important part than these items in the sale of the house.

Builders are interested in a steady flow of mortgage money at good rates and at adequate loan-to-value ratios because that is the key to reaching our market potential. We know that each decrease—or increase—in down payments affects the size of that market. That is why we have put so much effort into the development of satisfactory legislation which would broaden the home buying base—which would make it possible for more and more people to own their own homes. Let's look at the figures on how successfully this has been done.

In 1940, only 41 per cent of the population owned their own homes. In 1950, 51 per cent of the population owned their own homes. In 1953, this increased to 54 per cent and this year the figure stands at 56 per cent.

And the people who have bought these homes are excellent credit risks. Although foreclosures had risen somewhat by the first quarter of this year, they were still at extremely low levels, slightly over 2,000 per month and only about one-fourth the 1939 level, and at a yearly rate of less than three per 1,000 mortgaged properties. VA claims paid in the first five months of this year totaled only 1,000 and were at the lowest level in five years. FHA's Section 203 saw only 114 foreclosures in the same period. And delinquencies of 60 or more days on FHA Section 203 were only 0.5 per cent of the more than 1,500,000 units in outstanding mortgages; for VA about 1.1 per cent of the 4,000,000 loans outstanding. Past experience indicates that nine out of every ten VA delinquencies are cleared up without reaching the claim paying stage.

Now let us examine the nature of the producer of the final product—the home builder. What kind of a businessman has he been—and is he becoming? What are the financing tools he needs to do this job?

Home Building's Emergence from a Craft to Industry Means a New Era

The home building industry during the last ten to fifteen years has experienced—and for that matter is still experiencing — one of the most remarkable technological and business evolutions ever achieved in so short a space of time. I refer to the transformation of home building from a "craft" to an "industry," in the full sense. This metamorphosis has brought about new needs in the field of construction methods, materials, merchandising and financing. It requires new thinking, new concepts on the part of both the builder and the lender.

The acute postwar housing shortage and the need to meet the overwhelming demand for shelter set the stage for truly large-scale production of dwelling units, *before* sale rather than *after* sale. Virtually all of the other great industries have taken this step at some time in the past—food, clothing, lumber, steel and others. This business evolution has lifted home building out of the deep-rooted craft traditions and of necessity created the home building executive. This new type American businessman must be an entrepreneur, skilled in administration and efficient production and merchandising.

These operative builders, as they have come to be called, often start with a tract of raw land, improve it with streets, sewers and utilities. They obtain the finest of professionally skilled architects, search the nation over for the most favorable financing, select materials and products with an eye to sales appeal as well as to cost, schedule their production with a view to cost-saving efficiency, and launch merchandising campaigns rivalling the best that the retail merchandising fraternity can offer.

It is true that numerically this large operative builder is still in the minority but the competition which he produces—particularly in the mass market—is forcing more and more of our smaller builders to expand their horizons, to improve their business methods, to seek better financing methods. The great bulk of all the housing produced in the United States today is manufactured—yes, I use the word advisedly—by some form of the so-called operative builder. It is my prediction that this trend will continue. Of course, there will always be an important place for the custom builder who produces on order for a particular customer. He will continue to exert a very considerable influence on the total market in terms of new ideas, materials, equipment and new uses for existing products. These improvements and innovations often find their way into the lower cost production models.

What does all this mean for the mortgage lender? It means that the old days of the carpenter-contractor, who worked out of a lumber-yard and who looked to the lumber dealer or other materials dealer for his plans, his land and his financing, are rapidly fading, except possibly in extremely small communities. I do not mean to imply that all home building is going to be done by large operators. Many builders by preference desire to keep their operations small. But, in order to remain in business, they must adapt to their own smaller operations many of the same techniques, cost-cutting methods and particularly improved financing devices that their larger competitors have found profitable.

Largely as a result of the insured construction advance and firm commitment of FHA, many builders during the early postwar years were able for the first time to secure production

credit so necessary for them to bargain effectively for their materials and labor.

The permanent mortgage take-out and interim construction money alone have made large builders out of many small ones. It has made possible the construction of literally millions of low cost homes which, together with the low down payment, long-term amortized mortgage has placed home ownership within the reach of a segment of our population to whom such a possibility had heretofore been merely a dream in this or any other country. In short, production credit had greatly broadened the market.

Regardless of what political party occupies the White House or controls the Congress, home building, as a major contributor to our economic stability, has become a principal factor in national economic policy. Whether we like it or not, housing has come to have a political significance. The Federal Government, through control of the nation's credit, and the Congress by the enactment of a wide variety of laws, not to mention some 17 Federal agencies, are all inextricably enmeshed in this business of providing shelter for our growing population.

Our people will be housed—all of them — by private enterprise or by some form of government action. Unless we—and I mean all segments of the industry—accept this challenge, using our best energies, our best initiative, and, yes, our best inventiveness, there will be laws proposed and enacted which none of us would today wish to see. At the same time, I can in all good conscience say that I am convinced that we as a united industry have the know-how and the courage to house the American people through private enterprise.

Money, manpower, and materials are being invested by American property owners in dwelling improvements at the estimated rate of $12 billion annually. Housing maintenance, repair, and modernization expenditures this year will just about equal or even surpass the dollar volume of newly-built residential structures. According to government estimates, the home building industry in 1954 will put under construction about $12 billion worth of new dwellings.

THE place and the occasion were the same but there was a lapse of two years—and what a difference those two years meant! During September 29-October 2, 1952, at the Conrad Hilton Hotel in Chicago at MBA's 39th annual Convention the shortage of mortgage funds and the problems of FHA and VA loans predominated the thinking and the discussions; two years later, September 27-30, 1954, same locale, the relative abundance of mortgage money — funds for all financing, in fact — was a condition plain for all to see. But there had been no complete about-face, no abrupt turn-around. The conditions of two years ago when lenders were chasing the investors hadn't become one of investors chasing lenders—the change hadn't been *that* complete, and few predicted that it would go that far.

But that easy money would be around for quite a while seemed to a pretty general opinion. But would it get cheaper? Some professed to believe that it would, but not all. The pressure of funds piling up in life company coffers was evident but there were few if any to report an eagerness to buy just anything and everything in the way of mortgages. But it was a fact that mortgages, at Convention time, had a high appeal as contrasted to other investment media.

That was the general atmosphere for MBA's 41st annual Convention in Chicago, its largest so far (2,700), and certainly one of the most impressive. Along with a reaffirmation of easy money, members concentrated their thinking on:

» The Voluntary Home Mortgage Credit program (not even in the planning stage two years ago), a coming development in the industry which many thought might be the most significant undertaking in years.

» Providing more financing for minority housing, a subject completely explored.

» FHA's Section 220 and the possibilities it offers.

» Shopping centers, present status and outlook.

» The Housing Act of 1954 and what it is going to mean to the mortgage business.

» The new tax law.

» VA's progress.

» And the young men of the industry and their ideas.

More specifically, members heard:

Money, Credit and the Federal Reserve System

HE WASN'T too specific — as might be expected from a member of one of the most close-mouthed and careful bodies in this country—but the impression was plain: recent Federal Reserve policies have worked and the Board is carefully watching events so that actions of tomorrow will work equally well.

M. S. Szymczak, member of the Board, said Federal Reserve actions in the money market and in the field of credit have been of significant benefit in contributing to restraint of

Convention 1954

Notes from a memorable meeting, the first in MBA's fifth decade. It was the largest Association Convention and the most representative of the various classes of lenders and investors which make up the industry. No one member saw it all, so possibly these notes will take you to some of those events you missed in Chicago.

what threatened to be an unstable speculative boom and also in contributing to the moderation of the business downturn.

"In the past few years, we have had almost a classical business cycle situation to deal with as we moved through a period of record high activity under a constant threat of inflation and went from that into a period of a business contraction. In the earliest phase, credit restraints helped to discourage speculative excesses, restrain inventory accumulation, damp down undue expansion in capital goods expenditures, and encourage saving. Subsequently, Federal Reserve credit actions have helped to encourage business capital outlays, home construction, and State and local expenditures for construction and other improvements, as is indicated by the sustained if not growing volume of activity in these areas. The pace of these activities is considerably affected by ready availability of low-cost long-term financing, a condition which recent System policy has had an important part in establishing. Inventory liquidation has thus far been orderly, with no material pressure arising from financing problems.

"Emerging economic developments will need to be scrutinized carefully and continuously in the period ahead, and Federal Reserve policies promptly adjusted as required to contribute to the fullest the promotion of sustainable economic growth. One of the major virtues of credit and monetary policy in a period of readjustment like the present is its great flexibility, permitting quick adjustment to changing trends and the prompt adoption of counterbalancing action to any unstabilizing developments that may arise.

"Part of the effectiveness of Federal Reserve policy is the facility with which it can be adapted to changing circumstances, as is evidenced by the events of the past couple of years. During late 1952 and early 1953, inventories were rising, capital outlays were being made on a large scale, and rising speculative interest was being manifested in many markets. These developments constituted a threat to our objectives of long-term stability and growth. Accordingly, Federal Reserve policy was directed toward exercising restraints upon inflationary developments as well as keeping the supply of credit and money adjusted to the needs of a growing economy. In practice, this meant permitting some expansion of bank credit and the money supply, but limiting the degree of expansion in view of the large excess demand for credit over the available supply of savings. The credit machine was neither stopped nor thrown into reverse. It was simply held within a speed limit determined by considerations of safety, including the crowded conditions of the highway at the time."

VHMCP, Private Industry's Project, Means a New Horizon in Lending

ABOUT the biggest subject on the Convention agenda was VHMCP (the inevitable government initials designation for Voluntary Home Mortgage Credit Program), a subject comparable in interest to the money drought of recent years.

Neal J. Hardy, assistant administrator of HHFA, making his last public appearance for this agency prior to joining the Housing Research Center of the NAHB, explained in detail what it was, its set-up, its plans and objectives. He said:

"I believe that this program will assist people in small communities and remote areas, as well as minority groups generally, to obtain financing on terms more nearly comparable to those in large metropolitan areas. With better financing available on a sound, economic basis, housing conditions in these areas can be substantially improved. You can do your part in reaching this objective by participating in the program, by calling it to the attention of borrowers, by advising them and assisting them where necessary in filling out the application forms.

"The Program is a new one and necessarily will move slowly at the start. Mortgage bankers can play a key role in helping to discover any 'bugs' which may become apparent in the procedures which will be adopted initially and, more importantly, in making the entire program a success.

"Since the portfolio lenders have expressed sincere and whole-hearted intentions of participating in this program, it will be up to the mortgage bankers who are on the firing line to stand ready to provide the necessary origination and servicing which will satisfy the investment institutions so that they will be willing to enter new areas in which to make FHA-insured and VA-guaranteed loans.

"If each one of you can fulfill this function in the small and remote localities in your region, through an expansion of your operating radius if necessary, and through increased attention to the provision of home financing for housing to be available to minorities, the program will work to the mutual benefit of all concerned."

MBA members heard all about the new Voluntary Home Mortgage Credit Program at the Convention and soon VHMCP may become as familiar as FHA is today. Retiring President W. A. Clarke with E. R. Haley of Des Moines are the industry's representatives on the National Committee. At the Convention they met with Association members who will serve on the regional committees. Now regional committees everywhere are organizing.

R. O. Deming, Jr., of Oswego, Kan., a past president of MBA and president of The Deming Investment Company organized back in 1880, related his experiences in what he termed country lending. It was as good a guide as one could find for what lies ahead in VHMCP because what he has been doing on a considerable scale over a wide area is similar to what VHMCP has in its sights.

"Remote areas lending practices and principles are little different than metropolitan lending since people and human reactions are the same in the metropolitan center as in the smaller communities. Lending in small town areas can be conducted with a greater degree of safety of principal investment as well as a lower delinquency ratio than is true of loans located in metropolitan areas.

"Collection problems are not as severe in the smaller communities as they are in metropolitan centers. There is definitely a greater pride of home ownership and a greater sense of moral responsibility for debts in smaller communities than is true of the metropolitan areas. In smaller communities everyone knows a great deal about the business of each individual living in the community and this is quite a factor in collections.

"In the final analysis, a common sense approach to each individual loan is the basis of lending. Do not expect your individual fieldman to produce more than about \$1½ million per annum, or at the rate of \$125,000 to \$150,000 per month from this type of lending and adjust your fee schedule to meet his overhead, travel and salary expense on this amount of volume and you will find country lending, when organized, to be an extremely profitable operation."

Then he told a story.

"I have one man who has been in our employ for 28 years who has never made a loan in a town with population in excess of 20,000. During that period, which includes the full cycle of the 30's, we, our investors, VA or FHA have never acquired title to a piece of property on which he made the loan. In addition to being a good judge of human nature he is an excellent judge of values and a topnotch collector. I mention this only to prove the fact that country lending is stable. During the 30's while our city loan volume in the smaller towns was less than it is today, nevertheless, 95 per cent of our small town loans paid out without delinquency and practically none of them went to HOLC. This is definitely a strong indication to the stability of country lending."

The man is J. M. Callahan, Durant, Okla., who was in the audience. He rose on the speaker's introduction and drew some ahs and ohs at such a record.

E. A. Camp, Jr., vice president of Liberty National Life Insurance Company, a familiar figure on MBA rostrums, related the experience of his company in Alabama. But he had some reservations which he offered as constructive suggestions for VHMCP.

"Money, like water, seeks its level and will flow to those areas of the economy where it will receive the highest net return after deducting the expenses of handling. Our Voluntary Home Mortgage Credit Program would function more smoothly and with maximum efficiency if a service fee could be allowed in order to keep the net return on these mortgages in line with the return from city mortgages. The cost to the borrower will still be far below the rates which usually prevail in these small towns from traditional sources and I feel MBA can render a real service to the small towns of this country if they will recommend to the appropriate governmental authorities that prompt steps be taken to equalize the net return.

"I hope that those who administer the Voluntary Program will not feel they have assumed the responsibility of finding a lender for every borrower who desires a loan for the maximum amount and the maximum term. To do so would result in confusion and might actually result in the withdrawal of some of the present sources of funds for these small town loans. Many lenders, while always willing to lend on what would be considered liberal terms by time-honored standards, do want to reserve for themselves the right to specify the terms of the loans in which their trust funds are to be invested. They want the privilege of varying these terms in accordance with their individual judgment, their analysis of economic conditions generally and in the particular area involved and their feeling about prevailing conditions in the real estate and mortgage markets.

"To deprive lenders of this right would be an abdication on the part of those of us in the mortgage business in favor of a strictly controlled government mortgage market where the maximum and most liberal terms would always prevail.

"Certainly there can be no doubt as to the intent of Congress in that they desire the government mortgage programs to continue to be conducted within the framework of private initiative and judgment.

"All of us, as mortgage bankers and as lenders, have a great opportunity through this new program to see that adequate home mortgage funds are made available to borrowers everywhere on reasonable terms. In placing funds in the small towns of our country, we shall be developing those areas and communities which really constitute the backbone of America and its way of life. All of us are faced with a challenge to see

that this program works and I, for one, predict that it will work."

Two other speakers completed the panel group, **Norman Carpenter,** second vice president of the Metropolitan Life Insurance Company, which has taken a keen and active interest in the program from the very start, and **B. B. Bass,** first vice president of the American Mortgage and Investment Company of Oklahoma City, an organization with a background of experience in this type of lending.

Ventured conclusion about VHMCP as a result of the comprehensive picture unveiled: A world of possibilities, something vitally needed if we are to avoid more direct lending such as was seen in the VA program, an effort likely to proceed slowly at first but which could take on momentum fast once all lenders see its possibilities and the success of the initial efforts.

But another fact stood out even more clearly: VHMCP is something private industry *proposed*, said was sound and could be made to work. If it fails, the government, will not have to take any blame. In VHMCP, the *burden* is on private enterprise.

The Will to Do Something to Save Our Urban Centers Has Taken Hold

I SEE six rays of light in the present situation to conserve and renew our cities, said Guy T. O. Hollyday, chairman of the Title Guarantee Company of Baltimore, back in his familiar role of member, past president and tireless worker on behalf of the Association. Fighting blight, saving our metropolitan areas, warring on slums, these and other matters incident to the urban problems of today have been close to him for years and never more so than when he headed FHA.

The six rays of light he sees:

"Within the past few years, a wave of interest on the part of business men, in what to do about the neglected areas of our metropolitan communities, has swept over the country. Progress is being made. Here are six of many examples of what is being done. They may be likened to rays of light that appear over the horizon, indicating the dawn of the new era, not promises of the dawn but the beginning of the dawn itself.

"For No. 1 ray, consider the Conference in Trenton, New Jersey, last Spring, attended by representatives of 73 cities, mostly city officials, including five Mayors.

"For No. 2 ray, journey to the nation's capital where we find now being formed and operating, a Federal City Council composed of outstanding business men who have retained G. Yates Cook to study and report on what to do about the spread of blight in the residential areas of Washington.

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The President of the United States Sends a Letter to the Convention

PRESIDENT EISENHOWER sent a letter to MBA President William A. Clarke and it was notable for several reasons: it was the President's first direct observation on what Mr. Clarke termed "the fuss in Washington"; and, second, it gave a needed pat on the back to FHA. Mortgage men generally probably haven't been too conscious of this need because they recognize FHA's great record and that what has happened involves only a small part of it and a small number of people. But it was a significant statement for the general public. The President wrote to Mr. Clarke:

> I am glad to have this opportunity to extend my best wishes to you and to the members of the Mortgage Bankers Association on the occasion of your annual convention.
>
> I understand that your organization will be discussing and considering the role of the Federal Housing Administration in the implementation of our new housing program. I should like to convey to your associates my firm belief in the basic importance of a soundly managed mortgage insurance agency. It is my conviction that this risk-sharing enterprise represents a wise and beneficial partnership between government and industry — a partnership which I consider essential to the successful attainment of our objective to help the American people to acquire good homes of their own.
>
> The Federal Housing Administration is a great agency of the Federal Government whose reputation, unfortunately, has been injured by our exposure of the past misdoings of a few faithless men. Your organization is well aware that the mortgage scandals developed during the loose administration of an old law, which expired in the year 1950. We have resolutely faced the triple responsibility of bringing to justice all cases of demonstrable fraud, of correcting deficiencies disclosed by our investigations and placing the FHA program in the hands of incorruptible men.
>
> The integrity of the FHA has been restored. We recognize the great contributions which the agency has made in the past years, and we are determined to develop it into a stronger and better organization. Thus the American people can have real confidence in the agency and its operations. We have made real progress in this direction. I shall look to those now in charge of FHA to administer the affairs of that agency in a way which will help our great private home building and financing industry to make real strides in the task which lies ahead. I know I can count on the members of your organization to lend your full support to this endeavor.

It was widely quoted in the press and on radio and television. Reaction of the National Association of Home Builders was typical of the general approval. Their statement said:

"By his statement, the President has done much to dispel the atmosphere of fear and suspicion in which FHA's many thousands of loyal and conscientious employees have labored for much of the past year.

"It is now time for all of us, in and out of government, who are concerned with housing to get on with the job of providing more and better homes for all segments of the American people. One of the first things that must be done is adopt clear, practical and workable administrative procedures to carry out the high purposes of the new National Housing Act. This Act will fail of its objectives if it is handicapped at the very outset by overly-restricted regulations which by their nature will tend to limit rather than encourage the production of housing.

"In the light of the uncertainty and confusion created by the attacks that have been made on their agency, it is not surprising that FHA employees charged with administering the new housing law should take an ultra-conservative attitude in its application. Unfortunately, theoretical protective measures applied under such conditions do not in all cases fit the practical operating requirements of the vast and complicated home building industry. Nor do they always achieve their purpose of providing the proper protection to which the home buying public is entitled. Now that the President has settled affirmatively the future of FHA, we in the home building industry believe that these unnecessary restrictions can and should be modified within the meaning and intent of the new law so that the needed housing can be built without sacrificing a single iota of public protection.

"There is much to be done. Vast slum areas of our cities must be rehabilitated or cleared away to make room for urban redevelopment. Good housing must be provided at reasonable cost for minority families and low-income groups. And the opportunity for home ownership must be broadened for the many millions of families of modest means who represent the nation's mass market and who form the solid core of America."

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(Continued from page 18)

"Next, consider the splendid leadership exhibited by the City of New Orleans where there is being demonstrated the fact that if the City Hall puts its heart and soul into the problem of the correction of blight, a modern miracle is possible. The rehabilitation budget this year is $106,000. Taxes and permit fees will produce $74,000, leaving a net cost of $32,000 for administration of the program, which is approximately $6.00 for each of the 5,000 dwelling units that will be subjected to this law enforcing plan. Part of the income will come as a result of the $7,500,000 of repairs that will be made.

"Ray No. 4 originates in Chicago. In fact, it would be proper to refer to a 'multiple ray' because of the number of projects that have been going on for some time in this great community. Such achievements as the Lake Meadows project, the program for the area in the neighborhood of the University of Chicago, what was done in the Back of the Yards area, the program for the coordination of City and Federal activities, and the creation of the important State Enabling Act—these are examples of what is being done.

"Ray No. 5 is not yet ready for presentation except on a limited basis. On the horizon we see the letters A.C.T.I.O.N. denoting the American Council to Improve Our Neighborhoods. This nationwide organization has been formed to assist in eliminating at the source, those factors which cause dwellings to decline in livability and value, to assist in conserving and renewing existing structures, neighborhoods, and communities; to assist in working toward the eventual elimination of slum conditions and the causes which give rise to slums. The potential of this organization is great, indeed.

"The sixth and last ray is the Housing Act of 1954. Frankly, Section 220 is by and large the embodiment of what was prepared by FHA after a careful and exhaustive study of the subject. I know from experience that those who will be charged with the administration of this Section and the other Sections having to do with redevelopment, will have your support and cooperation."

This Is the Problem of Minority Housing

One of the most remarkable statements ever heard from an MBA rostrum was the address of Dr. George W. Snowden, minority group housing advisor to FHA—remarkable in more ways than one.

First, it was the first exhaustive observation MBA members have heard on the question of providing financing for our minority groups. What Dr. Snowden submitted was a carefully documented set of facts about every aspect of this problem, so detailed in fact that members ought to read it now to get a more complete appreciation.

Dr. Snowden said:

"When a vessel is filled to its capacity, it cannot be filled any further without something breaking. When a growing Negro population fills present Negro neighborhoods—as is the case in many sections of the country—the neighborhoods must expand, spread out, find new areas. This is the process of growth, it cannot be contained and no amount of spluttering by objectors will prevent this expansion in the slightest.

"The factor of land is by every yardstick today the hard core of the problem of developing housing available to nonwhites. It is the rock on which any sound approach in this area must be founded. We are pretty well convinced that any design which contravenes or impedes a fully open market which enables nonwhites to compete for housing supplies on the same basis and terms as anyone else is dooming the community to increasing trouble. We know already and through experience that all attempts to restrict the living space and accommodations of nonwhites involves us immediately and unequivocally into the issues of civil rights.

"The neglect by the housing industry—lenders and builders—has served to permit many misconceptions and false impressions about nonwhites to be spread and take root in the thinking and leadership of private industry and government.

"We are, and still are, faced with many misconceptions about the effect of nonwhite occupancy on property values; for example, the old presumption that color or race rather than the factors of income, credit record, housing standards, etc., are the sole determining factors in the soundness of a housing deal or in the stability of property values and neighborhoods. Such misconceptions are well rooted and have the effect of deterring mortgage interests from making any loans for housing available to nonwhites except in tightly segregated ghettos. We are faced also with deterring misconceptions about employment and income status, payment record, property maintenance and tenancy behavior of nonwhites.

"These and other elements constitute the main reason for setting the

YMAC DOES IT AGAIN

For the second time in 1954, MBA's Young Men's Activities Committee sponsored a program of their own and again the same adjectives applied: a highly professional job, interesting and stimulating subjects with fresh viewpoints and quite a bit that was new even to old hands in the business. Best indicator of YMAC's success in its repeat performance: more calls for copies of the addresses than for those of any other session. Despite the handicap of the first World Series game, the YMAC program went on to a good crowd. Members heard:

"Land Development as a Means of Creating New Mortgages" by George C. Dickerson, Stockton, Whatley, Davin & Company, Jacksonville, Florida.

"New Approaches to Acquisition of Income Property Loans" by R. P. Russell, assistant vice president, T. J. Bettes Company, Houston.

"Re-Stimulating Mortgage Volume from Real Estate Brokers" by Philip C. Jackson, Jr., vice president, Jackson Securities & Investment Company, Birmingham.

"Market Analysis Preceding the Opening of New Lending Territories" by William H. Osler, assistant vice president, W. A. Clarke Mortgage Co., Harrisburg, Pennsylvania.

nonwhite families apart as a separate and special facet of the market to be treated differently or neglected entirely. If this kind of climate prevails, we are forced to establish separate and special programs designed to meet the pressing needs of this market segment.

"The one thing that is becoming increasingly clear to us in FHA is the so-called peculiarities which were thought to be a part of the nonwhite market tend to disappear when the housing market is really open so that the nonwhite who qualifies gets the same break as any one else to the available housing supply.

"The best proof that progress is being made to overcome the deterring influence of the factor of race as a consideration in determining property values, and the generally held opinion about nonwhites not having adequate incomes for housing is the experience record of those lending institutions and builders who have dared to move into this market. For a brief time the FHA and the National Urban League have been gathering opinions of mortgagees on their credit experience with nonwhites. By far and large, the information collected has revealed universally good experience, and a desire by these lenders to increase their activity.

"Many lenders, like many builders, are increasingly facing up to the real facts about loans for properties available to nonwhite home seekers and have adopted a policy which places the prospective nonwhite mortgagor on the same basis and the same terms as white. The record of sound business and experience dictates a uniform single-standard, lending policy, judiciously applied in practice to the real and objective facts case by case, with realistic allowance given to the high prevalence among nonwhites of regular secondary wage earners.

"The nonwhite population in the United States continues to increase. Its increase during the decade 1940-50 was at a faster pace than whites in the United States, 17 per cent as compared to 14 per cent for whites.

"Accompanying the increase in population of nonwhites has been a large and essentially rapid migration from rural to urban living. Their movement has been to the large metropolitan areas and into the older central city cores. This movement into the central core of cities is not by choice, rather it is by necessity. There is simply no place else to go. Hence, 79 per cent of the United States nonwhite population was urban in 1950 as compared with 65 per cent in 1940, and fifty-two per cent of all nonwhites now live in metropolitan areas. These trends have continued since 1950 and are still in progress.

"The increase in the housing supply available to nonwhites has not kept pace with their increase in population, resulting in more persons per dwelling unit in 1950 than 10 years ago. *Doubling-up* is 12.3 per cent among nonwhite couples and 5.1 per cent among white couples. Overcrowding is 20.2 per cent for nonwhite households and 4.7 per cent for whites. Dwellings with more than 1.5 persons to each room are generally considered overcrowded. Thus the pressure on housing has been increased among the minority group creating a greater potential market for private housing.

"Employment opportunities for nonwhites has been at a high level throughout the war years and following. The job market has opened considerably with the result that there is a significant shift of nonwhites to higher paying occupations. Current available evidence also indicates that there has been no significant loss in jobs or job status held by nonwhites. There is ample reason that this trend in employment gains will continue since (1) nonwhites have demonstrated the capacity to do jobs to which they have been upgraded, (2) there is still under-utilization of skills and abilities of nonwhites, and (3) there is the existence of a non-discrimination employment policy of the national government.

"The improved job status of nonwhites has resulted in relatively greater increase in earnings and income than for whites. In 1951 median income for nonwhite families was $2,457, roughly 58 per cent of the median income of $4,229 for white families. 37.1 per cent of the nonwhite families have annual incomes of $3,000 and above, while 19.6 per cent have annual incomes of $4,000 and over. The family incomes for nonwhites reflect a higher frequency of secondary wage earners. Married nonwhite females appear in the larbor market more often, relatively, than do white females and they seek work on an increasing scale up to age 45. This characteristic is in contrast to the pattern among white females, who tend to leave the labor force in the early years of marriage or before. This is a factor that strengthens the capacity of nonwhite purchasers to pay the monthly cost of housing. When these characteristics and trends are focused against the unmet housing market among nonwhites certain glaring problems immediately present themselves."

Shopping Center Need Still Great But Careful Planning Necessary

THE present-day shopping center—the big new idea in real estate during this generation—has entered a new phase of thinking and planning, Philip M. Klutznick, chairman of American Community Builders, Inc., told the convention.

"The blush is off the rose," he said. "The need is still great but it will be met only by those who approach the meeting of that need with energy accompanied by a search for facts and in the exercise of business judgment.

"The inescapable facts of modern life are that population is growing and that travel is becoming more complicated in the urban centers of our great nation. In the wake of these realities, public transportation in one after another urban center has broken down or is breaking down. The pressure to provide public facilities for parking is ameliorative in its effect, not the solution. This means there is a need for the right type of integrated shopping facility at strategic locations in the far flung and in some instances innermost recesses of our burgeoning metropolitan areas. With notable exceptions, this concept is not predicated on a predatory approach to the State Streets or Main Streets of America. I am of the firm opinion that in our life time those streets will constitute the basic core of consumer interest. I look upon the shopping center at strategic locations as taking the pressure off the downtown center and providing the convenience which is essential to facilitate and heighten the buying appetites of our increasing populations."

He set forth three points which he said must be followed in developing future shopping centers. The first is a careful economic and traffic study. This is essential to determine the feasibility of a shopping center at any given location. The second is good leasing practices.

"The tenant must be able to make a profit in the operation of the location that you lease to him, and the landlord is entitled to a good return. If either is lacking, then the leasing proceeds from an unsound premise. There is an exception in an integrated shopping center which should be observed. Such a shopping center is, in fact, an entire business. Like every other operator of a huge business, you cannot expect to make the same amount of money out of each tenant. Even a limited number of loss leaders may be essential to a successful shopping center. For example, despite huge volume, the average department store is hardly a profitable tenant. It certainly does not return to you what a speculative risk warrants. A sound operation proceeds on the theory that the shopping center must provide the consumer and the buyer an opportunity to do one-stop shopping. In certain suburban areas a moving picture theater and a bowling alley, neither of which at today's construction costs can produce any magnificent returns, are necessary conveniences to the shopper, or essential drawing cards. A bank is necessary not only as a traffic draw, but to facilitate the operations of tenants. If you can get facilities of this character and make a profit, all to the good; but if you cannot make a profit, then they may still be important in order to increase your return from the other facilities.

"The shopping center that is destined to be the most successful will have the widest distribution of available facilities for buying and for service, and will maintain a competitive price level with the least competition and will have just enough shopping space so as to be rarely under-used."

Turning to the position of the chain store in a shopping center, Klutznick said:

"I believe that landlords and potential landlords have over-estimated the importance of national chains to a point where they have created a sense of independence on the part of such chains, which will be destructive of the profit potentials of both the national chain and the shopping center operator. The national chain which seeks to take undue advantage of the over-supply of shopping center proposals is guilty of short-sightedness. The helter skelter of propositions which have placed the national chain in the position of driving down percentage levels, is beginning to have its reaction. Such situations always produce alternative thinking."

Texts of the Convention addresses of HHFA Administrator Albert M. Cole, FHA Commissioner Norman Mason, Neal J. Hardy, Dr. George W. Snowden, Philip M. Klutznick, M. S. Syzmczak, R. O. Deming, Jr. and E. A. Camp, Jr. are available without charge on request to the headquarters office.

The Rushing Business of FHA and VA and Their Plans for Future

"WE MIGHT as well set the ground rules now for our discussion today on this government housing program," President Clarke declared at the final Convention session.

"No questions about 'the fuss in Washington.' Any questions on that will be ruled out of order."

And that's the way it was. Past events remained past events with no Convention re-hashing. Instead, the group got on with the business of what is ahead under the Housing Act of 1954.

Said HHFA Administrator Albert M. Cole—to the MBA audience and for nationwide television:

"You may say to me that the government, through this Act, is encouraging greater risk with its new provision for 95 per cent mortgages on 30 year terms.

"Yes, there is danger in high rates, long-term loans. Imprudently applied, they can become the source of unsound financing. We are going to try to prevent that from happening. But you can also do something about it.

"I do not believe that a 95 per cent mortgage is unsound if both the property and the borrower are sound. These are not terms intended to be handed out to the irresponsible, unstable borrower. But such loans can, with the exercise of judgment that you can supply, be both sound and a tremendous benefit to families who really want a home and value it, who are of good character and who will work diligently over the years to make good on that opportunity.

"And there are many, many such families. They ought to be in the private market.

"Government underwriting of a loan insures the repayment of the mortgage. It protects the investor. But it does not discharge the lender's obligation to help see that the loan is wisely applied . . . that it is used to the maximum benefit of the borrower and the local housing economy. As mortgage counsellors, you can help provide that assurance."

Cole praised the new Housing Act as the answer to what has been needed in the field of mortgage finance.

"The new Housing Act is the most effective body of legislation yet provided to release the full resources of our private economy for the purpose of raising our living standards—giving us sound and healthful neighborhoods and communities—and assuring a solid foundation of security and stability to investor, builder, and buyer in the housing market. It offers great opportunities for cooperative effort between government and private industry toward widening the range of services to our people.

"But the benefits possible under this Act are not something that will be

2% of members there

handed out like bonus prizes on a quiz show by the government or the housing agency. The only way, in fact, that the provisions of this Act will be realized in terms of better homes for more people will be through the market place—through enlarging the scope of our private economy. The success of many of these measures is in your hands, for you . . . not the government . . . are the main activating force of this new program.

"That calls, it seems to me, for a considered review of our respective responsibilities as we face the new and bigger challenge thrown to us by this legislation."

VA Needs Help in Big Volume of Business

THE VA loan—problem child of other MBA meetings not too long ago—was sitting pretty as far as things went at Convention time. Everything is going along pretty well as far as the guaranteed home loan program is concerned, in fact business is pouring in. Most important fact seemed to be that the VA doesn't have the staff to handle what it must handle.

T. B. King, assistant deputy administrator of the Veterans Administration, in the loan guaranty division, said that except for a few isolated months in the early years of the Act, volume of appraisal requests on home loans sought are running higher now than ever before.

"Nationally, our appraisal requests are 71 per cent over 1953 and the home loan application volume for August, more than 59,000 cases, was the fifth highest monthly total in the history of the program and 90 per cent above August a year ago," King said.

"With the removal of the statutory directive covering the control of discounts, VA has revised its schedules of permissible charges to retain control only of those charges made directly against veteran borrowers."

He pointed out in that connection that in centering attention on the discount problem the rescinded law had a good result. In popularizing discount practices it has encouraged a better flow of mortgage money in many areas that secondary investors had previously passed over. Practically all urban areas can now get needed mortgage money—at a price, King said.

With FHA it is about the same, good business with the good possibility that it will continue to grow. And that suits FHA Commissioner Norman Mason who said:

"Are the new terms going to open the market wide for those who have been setting aside funds for that home of their own? We've already had one answer. Home buyers rushing to take advantage of the new FHA benefits made August the biggest August in home mortgage applications in our agency's history and it looks as if September will pass August in applications for mortgage insurance upon both new and existing construction.

"I am told every day of processing backlogs all over the country. In some areas the backlogs run up to ten weeks. You ask me what I will do about this. I want to assure you I'm aware of the need to speed up the work without sacrificing our standards of quality.

"I wish I could tell you today that we now have the complete answer to this problem. I will tell you how we've been trying to meet it.

"First, we've added a number of additional appraisers and inspectors to the staffs in areas where the need is greatest. The trouble is that our overall organization is so large that 300 new employees don't mean many new ones in each office.

"Then we've undertaken to simplify our procedures—to cut out the red tape wherever we found it. We are still working on this. It's not a quick, short-range approach however.

"At this moment, we're working on two alternate plans which will permit us in FHA to give the builder a go-ahead signal, pending the processing of his application for mortgage insurance. This would be a temporary solution for a trial period of a few months. It's not the whole answer but it will help, so builders tell me. We also have a third temporary program which we are trying to get permission to use which will speed processing on houses over one year of age.

"I am confident that by Christmas we'll have the backlog problem licked—and that you'll have other problems to worry about by then!"

RECOGNITION

The Convention is a time for awards and recognition. George H. Dovenmuehle of Chicago was named to head the Mortgage Bankers Legion for the new year and E. R. Haley of Des Moines was named secretary.

And at the Legion dinner, President W. A. Clarke steps up to the rostrum to present the retiring Grand Marshal with a commemorative scroll in recognition of his year in office.

MBA Secretary George H. Patterson, honorary life member, receives a Legion award for his service as Legion treasurer.

Men Who Serve MBA

IN AN organization as large as MBA has become, a great many people do a great amount of work and the motive is always the same: it is their trade organization and they want it to succeed. For the officers it is a year around job. The committees are on the firing line constantly, some month in and month out and others less frequently. But the board of governors and the executive committee are the two groups within MBA which are called upon most frequently for their time, advice and counsel. And here you see some rather remarkable photographs of these groups taken at the Chicago Convention along with staff members. The latter is complete; but for the board, some are missing, understandably so in view of the fact that the picture was taken the last Convention day almost at the moment the meeting was adjourning in the ballroom.

First row: Thomas E. Lovejoy, Jr., New York; John F. Austin, Jr., Houston; D. Richard Mead, Miami Beach; Oliver M. Walker, Washington, D. C.; Frank J. Bell, Washington, D. C.; Samuel E. Neel, Washington, D. C.; Lindell Peterson, Chicago; Wallace Moir, Beverly Hills, California; George H. Patterson, Chicago; George H. Knott, Chicago; John C. Hall, Birmingham; P. S. Bower, Winnipeg; W. Braxton Ross, Denver; Edward J. De Young, Chicago; and Frank J. McCabe, Jr., Chicago.

Second row: C. A. Legendre, New Orleans; Robert H. Pease, Detroit; J. R. Jones, Los Angeles; Miles L. Colean, Washington, D. C.; William F. Keesler, Boston; R. C. Larson, Beverly Hills, California; Fred J. Freiner, St. Louis; George H. Dovenmuehle, Chicago; Ferd Kramer, Chicago; Norman H. Nelson, St. Paul; William A. Marcus, San Francisco; G. D. Brooks, Nashville; Homer C. Bastian, Wichita; E. H. Grootemaat, Milwaukee; Fred C. Smith, New York; and W. James Metz, Chicago.

Third row: J. W. Jones, Dallas; Lowell M. Baker, Spokane; Robert M. Morgan, Boston; R. W. Warren, Jackson, Mississippi; A. H. Cadwallader, Jr., San Antonio; Edward F. Lambrecht, Detroit; Joseph M. Downs, Columbus, Ohio; C. Douglas Wilson, Greenville, S. C.; Ward H. Cook, Portland, Oregon; John A. Gilliland, Jacksonville, Florida; Robert Tharpe, Atlanta; Donald E. Nettleton, New Haven; and R. G. Holladay, Memphis.

Fourth row: H. Duff Vilm, Indianapolis; F. M. Petree, Oklahoma City; Jack D. Merriman, Kansas City, Missouri; John C. Thompson, Newark; Guy T. O. Hollyday, Baltimore; Dean R. Hill, Buffalo; Brown L. Whatley, Jacksonville, Florida; Aubrey M. Costa, Dallas; and Aksel Nielsen, Denver.

Missing from the group picture were these past presidents, governors, associate governors and regional vice presidents: William A. Clarke, Philadelphia; Milton T. MacDonald, Wilmington; R. O. Deming, Jr., Oswego; Byron V. Kanaley, Chicago; H. G. Woodruff, Detroit; Frederick P. Champ, Logan, Utah; Byron T. Shutz, Kansas City, Missouri; A. D. Fraser, Cleveland; L. A. McLean, Louisville; Owen M. Murray, Dallas; Hiram S. Cody, Winston-Salem; E. E. Murrey, Nashville and E. D. Schumacher, Memphis; Howard S. Bissell, Cleveland; Maurice R. Massey, Jr., Philadelphia; Kenneth J. Morford, Seattle; George B. Underwood, Irvington; N. J.; Ralph E. Bruneau, Phoenix; Walter C. Nelson, Minneapolis; and James W. Rouse, Baltimore.

Earl F. Duke, Norfolk; Jay F. Zook, Cleveland; W. L. Otis, Omaha; W. C.

Rainford, Granite City, Illinois; and F. L. Flynn, Harlingen, Texas; William L. King, Washington, D. C. and E. R. Haley, Des Moines.

>> EXECUTIVE COMMITTEE: First row, George H. Patterson, Wallace Moir, Lindell Peterson, William A. Clarke, and Samuel E. Neel. Standing: Thomas E. Lovejoy, Jr., Robert M. Morgan, John F. Austin Jr., Robert H. Pease, Robert Tharpe and William A. Marcus. Messrs. Patterson and Neel of course are of the MBA staff.

These Were Elected to Serve the Association During the Coming Year

As FOR four decades, every Convention brings a change of Association administration. At Chicago, MBA elected Wallace Moir of Beverly Hills, California president and Lindell Peterson of Chicago vice president. The new MBA president served eight years on MBA's board of governors and two years as regional vice president. He was chairman of the MBA 1953 Western Seminar. (More complete notes about him are elsewhere in this issue.)

Mr. Peterson is president of the Chicago Mortgage Investment Company, and recently a member of the Association's board of governors. Last year he was given the annual Distinguished Service Award of the organization in recognition of his work as head of our educational program which embraced two Mortgage Banking Seminars at Northwestern University, Chicago, a third at Stanford University, and a senior executives' course at New York University. He conceived the idea for and sponsored MBA's charitable trust fund to broaden the scope of education concerning mortgage banking in schools and colleges.

He is a graduate of the University of Illinois school of business administration and studied law at Kent College of Law. He is a past president of the Chicago Mortgage Bankers Association, vice president, Illinois chapter, American Institute of Real Estate Appraisers, and a member of the Union League Club, Exmoor Country Club and Executives Club of Chicago.

Elected regional vice presidents were:

Region 1, Robert M. Morgan, The Boston Five Cents Savings Bank, Boston.

Region 2, William L. King, Boss & Phelps Mortgage Co., Washington, D. C.

Region 3, Robert Tharpe, Tharpe & Brooks, Inc., Atlanta.

Region 4, Edward F. Lambrecht, Lambrecht Realty Company, Detroit.

Region 5, Joseph M. Downs, The Ohio State Life Insurance Co., Columbus.

Region 6, R. G. Holladay, Marx & Bensdorf, Inc., Memphis.

Region 7, E. R. Haley, General Mortgage Corporation of Iowa, Des Moines.

Region 8, Fred J. Freiner, L. E. Mahan & Company, St. Louis.

Region 9, F. M. Petree, Home Mortgage & Investment Co., Oklahoma City.

Region 10, J. W. Jones, Jones-West Mortgage Company, Dallas.

Region 11, Ward H. Cook, Ward Cook, Inc., Portland, Oregon.

Region 12, J. R. Jones, Security-First National Bank of Los Angeles, Los Angeles.

Elected to positions on the board of governors for terms ending 1958 were:

Norman H. Nelson, The Minnesota Mutual Life Insurance Company, St. Paul.

C. A. Legendre, Standard Mortgage Corporation, New Orleans.

E. H. Grootemaat, A. L. Grootemaat & Sons, Inc., Milwaukee.

George H. Dovenmuehle, Dovenmuehle, Inc., Chicago.

C. Douglas Wilson, C. Douglas Wilson & Co., Greenville, South Carolina.

P. S. Bower, The Great-West Life Assurance Company, Winnipeg, Canada.

H. Duff Vilm, H. Duff Vilm Mortgage Company, Inc., Indianapolis.

(Continued on page 30)

MBA Vice President
LINDELL PETERSON

The President of MBA Speaks to the Members

THE new Housing Act under which we now function with respect to insured loans is interesting in many respects. Most significant, perhaps, it expands the philosophy "let the seller beware." Years ago the general rule was *caveat emptor*—"let the buyer beware." That was changed so that the seller was obliged to beware also. The new Housing Act virtually says let the builder beware, let the lender beware; and common sense still says let the buyer beware.

Broad frontiers are opened in slum clearance, urban renewal, and minority housing, to name a few; no pioneer in this country was presented with greater opportunities. The Federal National Mortgage Association is in the process of being transformed. Opportunities of lasting import abound here for private enterprise—and in the long-term public good.

Liberalization of FHA terms cause the selling of "terms" to eclipse even more than in the past the selling of real estate. Title VI, the Voluntary Home Mortgage Credit Program, is progressive, inspired legislation—profitable to the people. MBA will join the life insurance industry and others in making this program work.

MBA will do its best to help translate this entire legislation into better housing, and as much of it as is needed. Strange as it may now seem, the supply of housing will outstrip the demand some day in one type of housing or another, and either here or there, or perhaps even everywhere in our country.

I want to point out that it is still legal to make conventional loans. This is the loan, you remember, without any governmental subsidy. Investors still want that type of loan, and it is available. To talk rugged individualism or free enterprise, and make only government-insured loans, is rather unconvincing. The conventional loan is the only foundation on which free enterprise in the mortgage business may survive. I urge you to work diligently to expand your conventional loans.

Now to MBA, one of the great trade associations of America, and my small part in its wide activities. It is impossible for me to express adequately the obligations I have to MBA, over which you have chosen me to preside. Both as a trade association and as a group of individuals, MBA has made it possible for me to express and enlarge upon some of the business ideas which have been unfolding in my thought ever since I attended my first Convention exactly twenty-five years ago. This coming year you have enlarged, a little, the circumference in which I am permitted to operate. I wish to acknowledge my admiration and personal affection for many MBA members who have become my friends. To each and every member of MBA, known or unknown to me, I promise to faithfully carry out the work you have assigned. Personal attachment, strong as it may be, will not impel my acts, but the job of serving you all will be the inspiration for my endeavor.

Many of you have followed the course of mortgage legislation in our great Capital during the last year or two with much concern and at times with some amazement. It is quite apparent that while continuing to work with persons and political parties, our trust must transcend them.

I sincerely hope that wisdom, economy, and brotherly love may characterize my brief tenure of office.

—Wallace Moir
President, Mortgage Bankers Association of America

Frank J. McCabe, Jr. Is Elected Assistant MBA Secretary-Treasurer

The new board of governors, at their initial meeting following the close of the Convention, created a new permanent Association position, that of assistant secretary and treasurer, and elected Frank J. McCabe, Jr. to the post.

Mr. McCabe has been with MBA since 1946 as director of education and research and has been the key figure in developing the Association's comprehensive educational program. He supervised the development of MBA's handbook, *Mortgage Loan Servicing Practices,* and its first textbook, *Mortgage Banking,* as well as the introduction of the Mortgage Bankers Blanket Bond. The Northwestern and Stanford University seminars, and now the Schools of Mortgage Banking, have all been under his active direction and planning.

He is a native of Chicago and received his B.S. degree from Northwestern in 1932 and his J.D. degree

Frank J. McCabe, Jr.

from that institution's school of law in 1935. He was admitted to the Illinois bar in 1935 and practiced law in Chicago from that year until 1942. He served in the Navy during World War II for four years and was commissioned a lieutenant. He is a member of the Naval Post of the American Legion, Chicago Bar Association, American Finance Association and the Trade Association Executives Forum. He is married, has three children and lives in suburban Mt. Prospect.

He has made an excellent record in his educational work and is exceptionally well qualified to assume the more important position to which he has been named in the Association.

Annual MBA Award to De Huszar and Pease

William I. De Huszar, treasurer of Dovenmuehle, Inc., Chicago, and Robert H. Pease, president, Detroit Mortgage and Realty Company, Detroit, shared MBA's 1954 annual Distinguished Service Award. Mr. De Huszar was selected because of his authorship of *Mortgage Servicing* just published under Association sponsorship, the first complete work on this phase of the mortgage industry ever written. Mr. Pease was named for his work during the past year as chairman of our federal legislative committee. This is the second time in the Association's history that the award, usually given to one member, has been divided. Presentations were made by President William A. Clarke.

Mr. De Huszar is a graduate of the University of Chicago and served in military intelligence during the last war. He has served as chairman of the MBA research and mortgage servicing committees and wrote our earlier manual on mortgage servicing.

Mr. Pease graduated from the University of Chicago, later lectured at that institution and was formerly with Draper & Kramer, Inc., Chicago. He is a member of the Society of Residential Appraisers and was editor of *Mortgage Banking,* published by the Association. It was the first textbook on the mortgage industry ever published and is now used extensively in schools and colleges over the country.

MBA ELECTION

(Continued from page 28)

Elected for associate governors at large were:

Region 1, William F. Keesler, The First National Bank of Boston, Boston.

Region 2, Earl F. Duke, Investment Corporation of Norfolk, Norfolk, Va.

Region 3, John A. Gilliland, Knight, Orr & Company, Inc., Jacksonville, Fla.

Region 4, Robert H. Pease, Detroit Mortgage and Realty Company, Detroit.

Region 5, Jay F. Zook, Jay F. Zook, Inc., Cleveland.

Region 6, R. W. Warren, Reid-McGee & Company, Jackson, Miss.

Region 7, W. L. Otis, The Otis Co., Inc., Omaha.

Region 8, W. C. Rainford, Mercantile Mortgage Company, Granite City, Ill.

Region 9, W. Braxton Ross, Morrisson and Morrison, Inc., Denver.

Region 10, F. L. Flynn, Flynn Investment Company, Harlingen, Texas.

Region 11, Lowell M. Baker, Anthony, Baker & Burns, Inc., Spokane, Wash.

Region 12, R. C. Larson, C. A. Larson Investment Co., Beverly Hills, Calif.

Members with their Ladies

The ladies give the Convention that touch that nothing else can do; and each year more and more of them make MBA's annual meeting an event that they don't want to miss. Here are some of the hundreds who were there. The place and occasion is the annual opening of Club MBA.

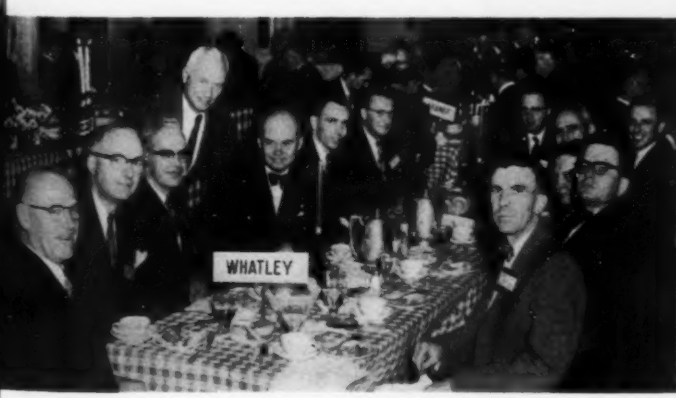
Members Without the Ladies

THE serious business of a Convention goes on in the sessions, in the committee rooms (and when an organization attains the size of MBA, more and more work has to be done in committee) and even in the corridors of the hotel where members have gathered from every corner of the country. What brings them all together is the desire to see and talk to others who are doing the same kind

of business. They want to learn new ideas if they can and, in a sense, see how their own activities compare with those of others. That's what makes up a meeting and it's the same every year.

But a Convention wouldn't be a Convention if it was all business and no Convention ever is all business. Fun and relaxation take a large piece of Convention time. Within MBA, various groups and interests utilize the occasion to entertain those to whom they feel indebted. As the organization has grown, so have the number of these occasions when members get together to relax and talk of things outside business. No one sees all of these informal get-togethers of members at a Convention, indeed no one has that endurance.

Here are some of the members who came to Chicago in September 1954 to do all the things one does at a Convention. It happens to be the Legion dinner. But during the next four days the camera might have looked in on any number of similar occasions and recorded similar scenes. They are all a part of that American phenomenon, the Convention. And it's one part which seems never to lose any of its appeal.



Camera Foot-Notes

» PROMENADE: The constant stream of member traffic through the exhibit hall into the Convention sessions. This is the highway over which members pass to and from the meetings.

» DISTAFF: Ladies only. Sunday evening preceding the Convention opening, they got together for dinner and to watch the Personality Portraits of famed monologist, Cornelia Stabler.

» HORSEPLAY: Legion members and guests were transported back to the Gay Nineties to see The Curse of the Coffin Nails. The curtain tells its own story.

» OOPS! Gripping scene from The Curse with the heroine about to be sawed up. Virtue wins out in the end and the shady lady at the right doesn't get the man.

Research Group Plans Several 1955 Projects

If only a portion of the ambitious plans under discussion by this year's Research Committee materialize, the results are likely to add up to one of the most important contributions made in MBA in some time.

One of the projects acted upon at its first meeting was a decision to proceed to publish a compilation of all foreclosure and mortgage investment laws of the various states. Nothing like this has been published since HOLC did a similar compilation years ago and the need has been pressing. Material has been assembled by Frank J. McCabe, Jr. and the project is ready to go forward, awaiting only a determination of the format the work will take.

Also before the Committee, which is headed this year by Robert H. Pease of Detroit, is a plan to prepare a uniform plan for mortgage loan warehousing. More details of these, along with other plans in the discussional stage, will be forthcoming soon.

MBA Plans a Seminar for Educators Only

Something entirely new is being added to Association activities this year with the inauguration of the first educational meeting by the MBA Trust Fund Committee. It is planned for the last week in June at the University of Michigan and will be by invitation only and limited entirely to professors of finance and other top faculty members of universities and colleges. This is the first venture of the Trust Fund Committee and has for its objective the education of top educators in various aspects of the mortgage industry. The theory is that before we can secure a better appreciation of the mortgage lending industry in schools and colleges we must first see that those who teach in these institutions have a broad and comprehensive knowledge of our field. Between 30 and 50 will attend this first Seminar and it is expected to lead to others in different parts of the country.

Robert H. Pease of Detroit is heading this effort.

Two Mortgage Conferences and Two Clinics on MBA Meeting Schedule

Again in 1955, MBA will carry its program of meetings to the members where they live, a plan that has been followed in recent years with conspicuous success. In addition to the 42nd annual Convention in Los Angeles October 31 to November 3, the Conference and Clinic program shapes up this way:

Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago, February 24-25, preceded by meetings of the executive committee, board of governors and such other committees as make arrangements for this occasion.

Southwestern Mortgage Clinic, Mayo Hotel, Tulsa, March 28-29, first time in this city for an MBA meeting in some years.

Southern Mortgage Clinic, The Dinkler-Tutwiler Hotel, Birmingham, March 31-April 1. (If this is like the last Birmingham meeting, it will be an outstanding event.)

Eastern Mortgage Conference, Hotel Commodore, New York, May 2-3, followed by executive committee and board of governors meetings.

That's two big mortgage conferences, one West, another East, both well located to serve the most members and both proven projects from past years' experience; and two Clinics located away from the Conference areas.

Specific announcements about these meetings will be in members' hands shortly but in the meantime they can be looking ahead and penciling in the dates.

School of Mortgage Banking at Stanford

MBA's educational program in 1955 will take the final step in switching over from the Seminar plan of education to the School idea. Next year, Course I of the School of Mortgage will be offered for the first time at Stanford University. The dates are July 31 to August 6. This course supplements MBA's other educational offerings:

January 25-27, Senior Executives Course, New York University, New York.

June 12-18, School of Mortgage Banking, Course I, Northwestern University, Chicago.

June 19-25, School of Mortgage Banking, Course II, Northwestern University, Chicago.

Soon members will receive more detailed information about all of them. But a suggestion now is in order: the schools take considerable advance planning, both on the part of the Association as well as on the part of members who must look ahead to make arrangements for their staff members to attend. Consider the Schools of Mortgage Banking now, who will go from your company and start planning now to send them. Don't forget that you can make no better investment in the future of your business than have your personnel attend the schools.

Meet Mr. President

MEET Wallace ("Wally") Moir—but don't jump to conclusions. This year's MBA President is something of a paradox. He's a sought-after master-of-ceremonies, but an admittedly shy introvert. He's a witty story-teller and practical jokester, but also a serious Bible student. He heads a large mortgage finance and insurance business, but he couldn't sell a policy to his best friend. He's an unassuming man of modest tastes, but has a direct telephone line from his office switchboard to the swimming pool of his Beverly Hills home—so he can float loans while floating himself.

A Wisconsonite by birth, Wally was transplanted to California as a nine-year-old lad when his father, William Henry Moir, sold out his clothing store and headed West for the sake of his wife's health.

The senior Moir was introduced to the insurance business by a Wisconsin friend, and soon became General Agent in Southern California for the Home Life Insurance Company of New York. Thus, young Wally was reared in a life-insurance atmosphere and played in the very area where he now lends money. He well recalls picnic and baseball sessions held on Wilshire Boulevard near where the Prudential Insurance building and Park La Brea housing project of the Metropolitan Life now stand.

High school days were spent in Hollywood High in the era when four high schools served all Los Angeles teen-agers. Today they fill to bulging seventy-eight such schools. At Hollywood High Wally played clarinet in the orchestra, was drum major of the band, and held down third base for the school nine. At graduation time the strains of "Over There" drowned out the call of college, and young Moir enlisted in the engineering corps of the Army. He was dispatched to the California Institute of Technology in Pasadena and was still training there when Armistice bells rang an end to World War I. While continuing his engineering studies, Wally still managed to save time for the ball and bat. He made the varsity as a freshman, playing third base again, and in his sophomore year ended up as team captain.

By BETTY LUERSSEN

By this time, however, Moir's enthusiasm for engineering was waning. He had unhappy visions of landing in some lonely canyon sub-station with no knack for selling the ideas that were coming thick and fast. Perhaps a broader and less technical education was the answer. Accordingly, he transferred his academic affections to Stanford University, affiliating himself with Alpha Tau Omega fraternity. At Stanford Wally participated in baseball and in diving, an art at which he remains proficient; played saxaphone and clarinet in a roving dance band, and failed to carve a niche for himself in the dramatics department. His single stage

appearance in the "Yellow Jacket" was notable for the fact that at the crucial moment he forgot his one line of six words, "I am Woo Hue Gitt's father."

After graduation, Wally entered his father's office—a life insurance General Agency located in downtown Los Angeles. His motivation proved to be filial affection rather than enthusiasm for the job, for after completing the Carnegie Tech course in Life Insurance Underwriting, Wally entered into what he considers the hardest period of his life: engaging in selling life insurance—cold canvas. After walking 14 times around a block before summoning courage to go in and meet one particular prospect, our hero was convinced that his talents, if any, lay in a radically different direction. He still has a very deep respect for the life insurance salesman. This selling engagement was short-lived.

The early life of our subject was studded with all sorts of interests, such things as the saxophone and clarinet, dramatics, diving and baseball. The latter he played at Cal-Tech and Stanford. He's the second from the right.

At this point his delivering angel arrived in the person of a friend, Ralph J. Bell, working for Mortgage Guarantee Company, correspondent for Metropolitan Life Insurance Company. This friend invited Wally to go along with him on an appraisal trip. One trip was enough for the disillusioned young salesman. Now here was a job with real appeal—one calling for all the various subjects enjoyed at college: mathematics, surveying, accountancy of investment, banking, and finance. Wally was sold —completely—and joined his friend's firm within the fortnight. Beginning as inspector on construction loans, he quickly worked into appraising. After two year's training under the dean of California appraisers, the late George S. Seward, originally of Lawyer's Mortgage Company, New York, there was little doubt about Moir's affinity for the business. He was approved as an appraiser by the Insurance Commissioner and the Superintendent of Banks of the State of California.

Nor was Wally's appraising ability limited to real estate. At a party given by his instructor, Mr. Seward, he took one look at pretty Phyllis E. Kemp and mentally earmarked her as the future Mrs. Moir. Daughter of Alexander N. Kemp, Chairman of the Board of Pacific Mutual Life Insurance Company, wartime President of American Airlines, Director of Standard Oil Company of California and other corporations, the young Mrs. Moir was not unacquainted with the workings of big business. It was just as well. Her husband was on the way up.

Between World War I and II, Wally joined the Finance Department of the U. S. Army Reserves and served for seven years. He rose to the rank of First Lieutenant.

In 1927, three major Los Angeles banks, Merchants' National, Pacific Southwest Trust and Savings, and California Bank, formed a corporation called Pacific Mortgage Guaranty Company as an outlet for mortgage loans. Quite naturally the directors turned to the only other mortgage insurance company in the city when it came time to select officers. Harry Lee Martin, one of the early supporters of the Mortgage Bankers Association, was invited to join the new corporation as vice president. In turn, he recommended associates of his. Thus Wallace Moir became secretary and chief appraiser for the corporation which began its career with \$10 million in loans contributed by the three stockholder banks. From selecting the original loans, Moir progressed in responsibilities until he became vice president and director of Pacific Mortgage Guaranty Company and of Belmont Company, a companion corporation formed to engage in the insurance business.

The depression of the early 30's dissipated all enthusiasm for a mortgage insurance company, and Pacific Mortgage Guaranty was soon liquidated. Belmont Company, however, continued in the general insurance business and as a mortgage loan correspondent. In 1939 the Moirs bought Belmont Company, and a few years later the corporate name was changed to Wallace Moir Company and the office address to Beverly Hills. The company's building is currently undergoing its third enlargement, and Moir's fifty employees, each of whom is personally interviewed by the boss several times a year, help service 4,300 loans, representing an impressive \$87,000,000 total. The company operates in California, Nevada, and Hawaii for its institutional clients and maintains exclusive brokers in these states and territory. Despite the five million dollars of loans serviced in Hawaii and the great fascination the Islands have for the Moir family, Wally has only found time for two trips to this Pacific island paradise.

Although the demands of his growing business are great, Wally always manages to participate actively in civic, business, and church affairs. He has served as a Sunday-school teacher, as First Reader, and also as president of a branch Christian Science church, his family having allied themselves with that denomination as a result of his mother's healing soon after coming to California. He was one-time director of the Junior Chamber of Commerce of Los Angeles and more recently was chairman of the Life Insurance Committee of the Senior Chamber of Commerce, the only mortgage banker thus to serve. He was one of the original members of the Economic Round Table of Los Angeles, and its second president. He even has a hand in educational affairs, serving as chairman of the Board of Trustees of Berkeley Hall School Foundation in Beverly Hills.

Professional posts filled include that of director of the California Trust Company and, of course, MBA, for which he served eight years on the Board of Governors, two years as Regional Vice President, and a year as Grand Marshal of the Mortgage Bankers Legion before becoming Vice President of MBA and now its President. Although officially graduated from the ranks of loan inspectors, movie fan Wally can revert back instantly if the occasion warrants, such as in the case some years back of a loan made on Joan Crawford's Brentwood home. Guess who personally

The Moirs at home, or living it up in Beverly Hills. At home means a spacious house on a curving, tree-lined street and here the new President is getting sodas for Phyl and Joni.

Scene II. Adjourn to the pool and it's so handy, right in the back garden. Same cast with Poppi, Peppi, and Pooh added. The hat is from Hawaii.

made every required property inspection!

Although Hollywood studios coldly rejected a number of fiery screen scripts authored by Moir in the distant past, he has since proved himself quite proficient with the pen. During the Roosevelt administration he authored a pro-Republican column called "Uncle Sim Says" from which we quote a typical excerpt: "Them New Dealers tell us not to worry—the President is steering us in the right direction and he knows where we're goin'. Now that's real comfortin' 'cause he's the only one that does. Besides we could use a little more steer and a little less bull than we been ahavin'." Wally has regularly written for THE MORTGAGE BANKER, one of his most beneficial articles being "Company and Correspondent United." On the more facetious side was his famous "Little Buttercup" letter depicting a typical loan refusal to end all refusals.

House and Home concluded its April article on our new president as follows: "If mortgage bankers are headed down as perilous a road as Moir believes, having a magician leading them seems like a fair idea." Magic has been Wally's hobby since boyhood—but one event made certain he would never turn professional. In the first year of his mortgage banking career, he had the task of trying to work out a loan for one of the world's greatest magicians. Foreclosure was ultimately necessary. To have this master of legerdemain helpless and unable to produce anything proved conclusively to Moir that the mortgage business was better than the magic business. His amateur standing as a magician, however, is enviable. He has been a frequent entertainer at Smoke Tree Ranch in Palm Springs—a resort made famous by President Eisenhower's recent visit there. Wally's dexterity qualified him for the first membership in the Sacred Order of the Silver Clothespin—the clothespin being a traditional trademark of the resort. Other entertainers to since merit the award have been movie maker Walt Disney, pianist Grace Anderson, and Park Avenue Hillbilly Dorothy Shay. Wally has also performed his magic tricks at fashionable Westlake School for Girls, with such professionals in the audience as Spencer Tracy and Walt Dis-

ney. He has repeatedly been master of ceremonies, too, for a local men's organization with the intriguing name of "Husband's Protective League," where he has shared billing with such headliners as singers Margaret Whiting and Kenny Baker, comedian Eddie Bracken, dancer Frank Veloz, and showman Marco Wolff.

Wally's favorite sports are swimming, paddle tennis, and golf (handicap 14). He's above par musically, too, playing the clarinet, saxaphone, and accordion. The latter instrument is little appreciated by Mrs. Moir, however; Wally once bought such an expensive accordion that he couldn't afford to take his wife to the MBA Convention that year.

The Moirs belong to the Los Angeles Country Club and the Bel Air Bay Club. They entertain friends there occasionally and enjoy dancing. In fact, Wally once won a dance contest in the famous Cocoanut Grove at the Ambassador Hotel. Mostly, though, the Moirs prefer to spend their leisure hours at home—and no wonder. Home to them is a spacious two-story house in Beverly Hills' beautiful residential district. It features a complete soda fountain, a swimming pool, cabana, cook-out, and a choice garden. Family members include two attractive daughters, Sue and Joni (a professional model), and three toy French poodles — Poppi, Peppi, and Pooh.

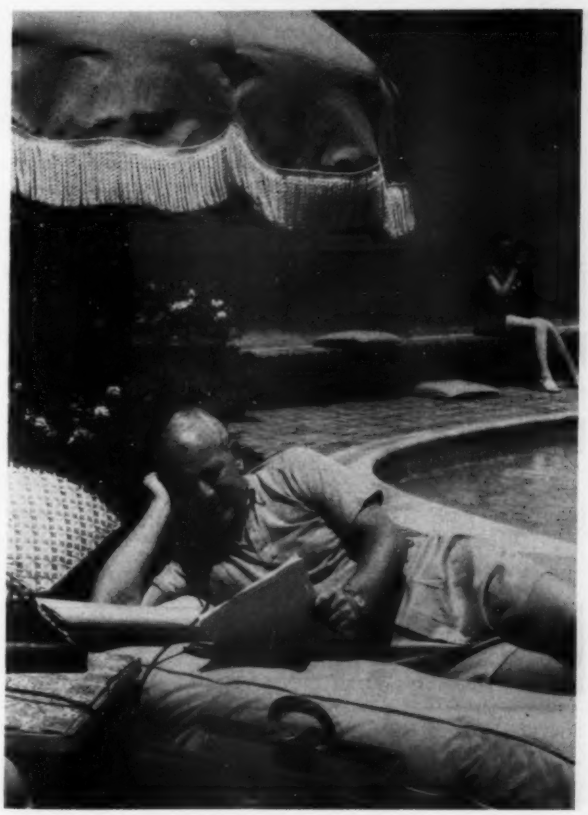
Because of the direct telephone line from his office switchboard to his home, Wally is often able to indulge in the luxury of a swim during office hours with a clear conscience—well, nearly always clear. Once an Eastern correspondent called Wally's office on a day when the sidewalks of New York were sizzling. Thanks to the direct line, Wally conducted his end of the business conversation from the cool vantage point of his pool. Suddenly, however, the wilted executive on the other end of the line became suspicious.

"What's that noise in the background?" he demanded. "I keep hearing birds and things."

A robin near Wally's elbow continued his concert. The pool water splashed merrily. Wally hesitated. Why add to an Easterner's misery?

"My office window is wide open," gallantly explained MBA's first California president . . . and it was!

A little legerdemain at Smoke Tree Ranch in Palm Springs. Did he miss his calling? When the new MBA President performs those tricks and wonderful feats of magic one begins to wonder but his business says he didn't.



President Moir at work. Now isn't this just about the best way ever devised for conducting a mortgage banking business?

VITAL STATISTICS fo

DURING August and early September, business trends continued the sidewise movement that has been characteristic for several months. The number of unemployed has remained without much change. Employment has kept up with the increase in the labor force. The index of industrial production [1] has shown no variation since May.

While it is likely to be another month or two before a definite improvement in general business is clearly registered, most of the signs now point fairly assuredly to an improvement. With the settlement of the west coast strike, lumber production is up. Steel output has risen slightly and is expected to increase more substantially when production of new automobile models gets under way. Notable also is the sustained level of consumer spending [1].

The supply of credit continues to be ample, with bond yields [2] generally very slightly lower than a month ago. Were it not, however, for FRB open-market operations designed to keep the money market from getting "soggy," yields would undoubtedly have gone still lower.

Construction and mortgage conditions continue to be the brightest spots in the economic picture. Construction expenditures [3] during August were 8 per cent above August 1953, while the 8-months figure for 1954 was 4 per cent ahead of that for 1953. The present year is headed for a total of close to $37 billion, compared with $35.3 billion in 1953, which itself was an all-time record. The increase over last year is mainly due to larger expenditures for housing, commercial building, educational building, and highway construction.

The year's total number of new nonfarm dwelling units started [4] is also certain to surpass 1953's figure of 1,103,800 and may in fact be more than 1,150,000. The present rate of contract awards indicates good building business in 1955.

Nonfarm mortgage recordings [5] again made a new record. Insurance company mortgage acquisitions [6] are ahead of last year, due to larger purchases of VA loans. Moreover, VA appraisal activity [7] continues well ahead of anything even in the bonanza days before Regulation X. FHA applications [7] are running well ahead of a year ago, with the effects of the new legislation hardly yet felt.

(1). General Business Indexes
(1947-49=100)

	—1954—		—1953—		First 8 Months	
	Aug.	July	Aug.	July	1954p	1953
Industrial production*	124p	124	136	137	124	136
Wholesale prices	110.5p	110.4	110.6	110.9	110.6	110.0
Department store sales*	112e	112p	112	113	110	113

Sources: Federal Reserve Board, U. S. Department of Labor. eEstimated. pPreliminary.
*Seasonally adjusted.

(2). Bond Yields

	—1954—		—1953—		First 8 Months	
	Aug.	July	Aug.	July	1954	1953
Long-term U. S. governments:						
3¼% issue of May, 1953, 1978-83	2.60	2.62	3.22	3.25	2.73	—
Other long-term issues	2.48	2.47	3.00	2.99	2.53	2.96
High-grade municipals (Standard & Poor's)	2.23	2.31	2.88	2.99	2.41	2.73
Moody's corporates, total	3.14	3.15	3.51	3.55	3.18	3.42
Moody's Aaa corporates	2.87	2.89	3.24	3.28	2.91	3.21

Source: Federal Reserve Board.

for the Mortgage Banker

(3). Expenditures for New Construction Put in Place
(millions of dollars)

	—1954—		—1953—		First 8 Months	
	Aug.[p]	July	Aug.	July	1954[p]	1953
Private	$2,436	$2,387	$2,223	$2,218	$16,300	$15,529
Residential (nonfarm)	1,278	1,252	1,114	1,126	8,222	7,776
Nonresidential building	552	549	493	489	4,012	3,634
Public utility	427	410	420	408	2,911	2,837
Farm and other	179	176	196	195	1,155	1,282
Public	1,169	1,125	1,122	1,107	7,439	7,393
Total	$3,605	$3,512	$3,345	$3,325	$23,739	$22,922

Source: U. S. Departments of Commerce and Labor. [p]Preliminary.

(4). Number of Nonfarm Housing Units Started

	—1954—		—1953—		First 8 Months	
	Aug.[p]	July[p]	Aug.	July	1954[p]	1953
Private	111,000	109,000	92,200	96,400	780,500	741,700
Public	109,800	3,000	1,000	300	15,500	29,600
Total	1,200	112,000	93,200	96,700	796,000	771,300

Source: U. S. Department of Labor. [p]Preliminary; figures are revised three months after issuance.

(5). Recordings of Nonfarm Mortgages of $20,000 or Less
(millions of dollars)

	—1954—		—1953—		First 7 Months	
	July	June	July	June	1954	1953
Savings and loan associations	$ 734	$ 741	$ 699	$ 682	$ 4,469	$ 4,249
Commercial banks	371	368	323	325	2,275	2,154
Insurance companies	155	146	132	131	891	870
Mutual savings banks	142	133	127	120	777	729
Mortgage companies and others	625	602	517	511	3,783	3,391
Total	$2,027	$1,990	$1,798	$1,769	$12,195	$11,393

Source: Home Loan Bank Board.

(6). Mortgage Acquisitions by Life Insurance Companies
(millions of dollars)

	—1954—		—1953—		First 7 Months	
	July	June	July	June	1954	1953
Nonfarm	$393	$410	$371	$330	$2,455	$2,281
FHA	51	60	71	67	369	514
VA	98	100	36	34	549	206
Other	244	250	264	229	1,537	1,561
Farm	28	41	34	29	258	268
Total	$421	$451	$405	$359	$2,713	$2,549

Source: Institute of Life Insurance. Data include nonresidential as well as residential mortgages.

(7). Applications to FHA for Insurance on New Construction, and Appraisal Requests to VA on New Construction
(number of units)

	—1954—		—1953—		First 8 Months	
	Aug.	July	Aug.	July	1954	1953
FHA applications	32,319	31,279[r]	23,894	20,660	265,021	245,540
Units in home mortgages	32,152	30,143	13,999	16,763	223,232	193,244
Units in project mortgages	167	1,136[r]	9,895	3,897	41,789	52,296
VA appraisal requests	55,350	52,291	22,118	20,752	346,595	172,831

Sources: Federal Housing Administration, Veterans Administration. [r]Revised.

"Coercion"—

COERCION is the word our critics concentrate on when they take mortgage bankers to task for writing insurance. It isn't a very attractive term. It implies the use of force and that is something repellent to everyone. Here I should like to present the position of the mortgage banker in the insurance business in a common sense way without the inflammatory phrases which have so long colored discussion of this matter. I want to set forth the mortgage banker's responsibility and duty to the borrower and the investing public. I hope to bring some understanding of the mortgage banker's problems to those in the insurance business and to arrive at some definite common sense conclusions which will be helpful to our industry.

We might ask why the mortgage banker is generally in the insurance business. He has been in it about as long as insurance has been written; and it is difficult to see how he could have avoided operating in this field even if he had wanted to. Most business practices are based on simple common sense. Having mortgages and insurance in the same office seems about as natural and tied together as bread and butter—and just as inseparable. Any attempt to separate the two by legislation seems as nonsensical as legislation that would force an owner to buy his gasoline at one station and his oil at another.

Why? Simply because any separation is an economic waste and produces unnecessary and purposeless duplication of work. The mortgage banker himself must attend to every detail involved in the writing of insurance. He is well fitted for it, in fact he is *compelled* to do it and with the utmost care because his entire security depends upon it. It is a job and a responsibility which he cannot delegate to anyone else. To substantiate these contentions, it is appropriate to analyze the insurance problems of the mortgage banker.

» APPRAISAL: In order to make a good mortgage loan, the mortgage banker must make an exhaustive physical appraisal of the property. Since a thorough appraisal is the essence of good mortgage lending, it is doubtful whether anyone else could afford to spend the time required to make as complete an examination—and few insurance agents would have the training to do so. After the appraisal, the mortgage banker is in a position to determine the proper amount of insurance that should be carried. Usually the mortgage banker has a far greater financial stake in the property than has the owner; and certainly no agent can be as interested as he is in the financial welfare of the owner.

» CUSTODY AND RECORDS: No one denies that the mortgage banker must retain custody of the insurance policies, or that he must examine them carefully to see that they are correct in every detail with proper mortgage clauses attached. Because the mortgage banker knows better than anyone else the various clauses demanded by different types of investors, he can save time and avoid costs and confusion, if he writes the insurance policy.

The mortgage banker must maintain records for the proper renewal of the policies, and because of his investment in the property, he cannot fail to keep all insurance in force. In fact, most mortgage bankers insure their work through the medium of an "Errors and Omissions" policy which is not generally available to others at a price they can afford. Could any other agent be as vigilant?

In modern practice, the mortgage banker collects funds monthly to pay for premiums as they fall due. He must follow FHA regulations and investor requirements to see that these funds are properly assessed and paid.

He is not permitted to delegate these responsibilities to anyone else.

» LOSS ADJUSTMENTS: Under the terms of the mortgage the owner

By

GEORGE H. DOVENMUEHLE

Chairman, MBA Insurance Committee

—or Common Sense

Old prejudices die hard—and sometimes take a long time doing so. One of them is the erroneous idea that mortgage bankers ought not write insurance. It's coercion, say a few critics, and they usually can be found in the insurance business themselves. Every year in some state or another, and often in many states, bills crop up to prohibit the mortgage banker from doing what he has been doing successfully in the insurance field for years—doing what is natural for him to do and serving the public interest at the same time. In the past, when legislation of this sort has appeared in state legislatures, the mortgage industry has patiently and quietly explained the economics of their operation. Probably a somewhat more aggressive approach may be in order. It is one of the ideas under discussion by MBA's new Insurance Committee headed by George H. Dovenmuehle of Chicago. In this article Mr. Dovenmuehle has set forth the reasons why it is logical, reasonable and in the public interest for mortgage bankers to serve the home buyer with an insurance service. Most mortgage bankers have a stake in this matter; thus this article will give them the basis on which one phase of their business rests. They have every justification in doing what they are doing well, because

"IT IS IN THE PUBLIC INTEREST THAT MORTGAGE BANKERS WRITE INSURANCE"

is required to report any loss to the mortgage banker, who must of course agree to any settlement that is made. In addition, the mortgage banker must examine the property to determine whether the loss adjustment is adequate to restore the property. In case of a disputed claim, a common interest will compel the mortgage banker to support the owner. No other agent would have the same compelling reason to obtain a fair settlement. After loss checks are properly endorsed, the mortgage banker must, in the case of a large loss, disburse the funds as the repair work proceeds. He must collect proper waivers so as to be sure that no mechanics liens can be attached to the property. Again, this is a responsibility that cannot be delegated.

So much for the actual work of the mortgage banker in the insurance field. Here are several pertinent observations and suggestions:

An owner is entitled to competent insurance treatment; and every mortgage banker worthy of the name will approve legislation designed to raise standards of honesty and competence, provided that they apply equally to all in the insurance business. He will oppose legislation that restricts the writing of insurance to those who are engaged in the insurance business. He knows that such legislation is un-American, wasteful — and probably unconstitutional. He will especially oppose any legislation that would re-create the old guilds of London or permit a privileged group of agents to watch the mortgage banker do all the work and assume all the responsibility while they collect a commission. He opposes feather-bedding by labor unions and he would indeed be inconsistent if he didn't oppose it in the insurance and mortgage field.

We all believe in free enterprise. We believe that an owner should have the right to make his mortgage and place his insurance at the same time and with the same company if he chooses to do so. We think he is entitled to all the benefits arising from this method of doing business. The mortgage banker is entitled to know—at the time of making the loan —whether he will handle the insurance or whether he will have to deal with a number of agents, a variety of policies, and undoubtedly a multiplicity of corrections. We want to place our method of doing business in competition with any other method that can be devised to bring economy and security to an owner. We want the owner himself to select the method that best suits his requirements.

THE MORTGAGE BANKERS BLANKET BOND NOW OFFERS EXCESS FIRE AND EXTENDED COVERAGE ERRORS AND OMISSIONS INSURANCE

By **HOWARD E. GREEN**
Former Chairman
MBA Research Committee

EFFORTS of the MBA Research Committee to provide fire and extended coverage errors and omissions insurance on an excess basis have been brought to a successful conclusion. This coverage is now being offered in conjunction with the Mortgage Bankers Blanket Bond.

To see this development in perspective, we should review the history of this bond. Introduced two years ago under the auspices of the Research Committee, it offered mortgage bankers a specially designed form of crime insurance similar to those available for some years to other types of financial institutions, such as banks and insurance companies. The scope of the coverage was determined by a broad survey of the insurance requirements of the membership. The principal innovation resulting from this survey was inclusion in a blanket crime insurance policy of fire and extended coverage errors and omissions insurance.

The form of coverage provided represented a distinct departure from the coinsurance type of fire and extended coverage errors and omissions insurance available in the domestic insurance market. Perhaps its most distinctive feature is that coverage is not limited to mortgage interest. It applies whether the assured is acting as mortgage servicer, real estate manager or insurance broker or agent. Another advantage of particular interest to mortgage bankers doing an insurance brokerage or agency business is that coverage is not restricted to real property. Also, unlike the coinsurance form of coverage, the Mortgage Bankers Blanket Bond provides a layer of errors and omissions insurance covering each risk up to the limit of the bond rather than a total amount of insurance equivalent to 10 per cent or 20 per cent of total mortgage interest depending upon the applicable coinsurance clause. The net result is that the Mortgage Bankers Blanket Bond provides broader and more flexible errors and omissions coverage at a cost which, in most instances, is significantly lower.

This feature of the bond has been particularly well received by Association members. Experience with it over a period of two years has now produced a further evolution. It was felt by some policyholders that their probable maximum loss through error or omission in providing fire and extended coverage insurance exceeded their probable maximum loss through crime exposures. Based on this assumption, they argued that they should be enabled to carry crime and errors and omissions coverage under the Mortgage Bankers Blanket Bond up to a limit sufficient to cover their crime exposures and then to purchase errors and omissions insurance separately in excess of the coverage contained in the bond up to the limit required. Their objective, of course, was to reduce cost.

In order to determine whether interest in this proposed arrangement of coverage was widespread and to develop information which might serve as a basis for negotiating with underwriters, the Research Committee prepared a comprehensive questionnaire which was sent to approximately 1,100 members of the Association. Interest in the coverage can be measured by the fact that 323 replies were received, which was felt to be an excellent response. The underwriting data accumulated made it possible to negotiate a level of cost which should make the coverage interesting to many mortgage bankers.

Addition to the bond, as an optional coverage, of excess fire and extended coverage errors and omissions insurance suggests the flexibility of our master policy-certificate plan. By placing the coverage with Lloyds of London and appointing Leslie H. Cook, Inc., as servicing agent, it was MBA's hope to obtain a flexible market interested in developing specialized coverages for mortgage bankers. This hope would seem to have been realized in the complete coverage and low cost of the Mortgage Bankers Blanket Bond.

Though the bond is still in the development stage in the sense that it will continue to be adapted to the changing needs of mortgage bankers, it is no longer a puny infant. A respectable premium volume has been built up, and Lloyds facilities for loss adjustment have been tested and found competent. Toplis and Harding—Wagner and Glidden, Inc., who are principal adjusters for Lloyds of London in the United States, adjust losses under the bond. To date they have processed some twenty-eight losses, including one estimated at $150,000.

One of the indirect results of the Mortgage Bankers Blanket Bond is worthy of notice. Introduction of this coverage has provided better protection of the investors' interest and consequently has resulted in greater uniformity in the insurance they require of their correspondents. Our bond has been almost universally approved by investors and has within this group some very active proponents.

Educational Program Scores Again in Third Successful Stanford Seminar

MBA's educational program—that particularly bright spot in the Association's activities—scored again for the third year at Stanford University with its Seminar. Nearly ninety students, mostly from the Far Western states which it is intended to serve, attended but there were others from other sections as well. *(Above, the 1954 class)*

Next year the Stanford Seminar takes a step forward when Course I of the School of Mortgage Banking will be offered at the institution.

Completion Award Given to Two More

Certificates of merit awards in MBA's educational program were made to two additional members at the Convention. They were John K. Benoit, city loan office supervisor, Equitable Life Insurance Company of

John K. Benoit

J. Wray Murray

Iowa, Des Moines, for his thesis on Simplified Mortgage Service Accounting Procedures and to J. Wray Murray, assistant cashier, The First National Bank of Memphis, for his thesis on Subdivision Development and Financing. Mr. Benoit and Mr. Murray are the fifth and sixth members to receive the awards since the program was inaugurated. Both papers will be published by the Association.

Mr. Benoit has been in real estate loan accounting for the past fifteen years. He joined Equitable Life in 1937 and from 1944 to 1946 was in the Navy. In his present position he is in charge of all city loan accounting procedures for Equitable.

Mr. Murray is a native of Memphis and attended Virginia Polytechnic Institute and graduated from Northwestern University. From 1942 to 1945 he also was in the Navy and holds the rank of Lt. Commander in the Naval Reserve. He joined First National in 1945.

FARM LOANS

It Takes More Capital to Operate a Farm than Before and Fewer Have It

FARMING takes more capital now than it ever has before, the trend has been going up for years and the possibility is that it will continue that way. Although U. S. farmers today use 172 per cent more capital than they did eighty years ago, the number of persons engaged in farming is only 1 per cent higher.*

American farmers have produced a greatly increased food and fiber supply for our rapidly expanding population by increasing their capital investments rather than by increasing their use of labor. In 1870, agriculture used $2,900 in capital for every farm worker; by 1950, capital used per worker amounted to $7,800. (Agricultural capital is defined as land and buildings, implements and machinery, livestock and crop inventories.)

Capital requirements of agriculture will continue to increase. A continuing growth in the importance of capital compared with labor, a reflection of the widespread adoption of technological improvements is to be expected.

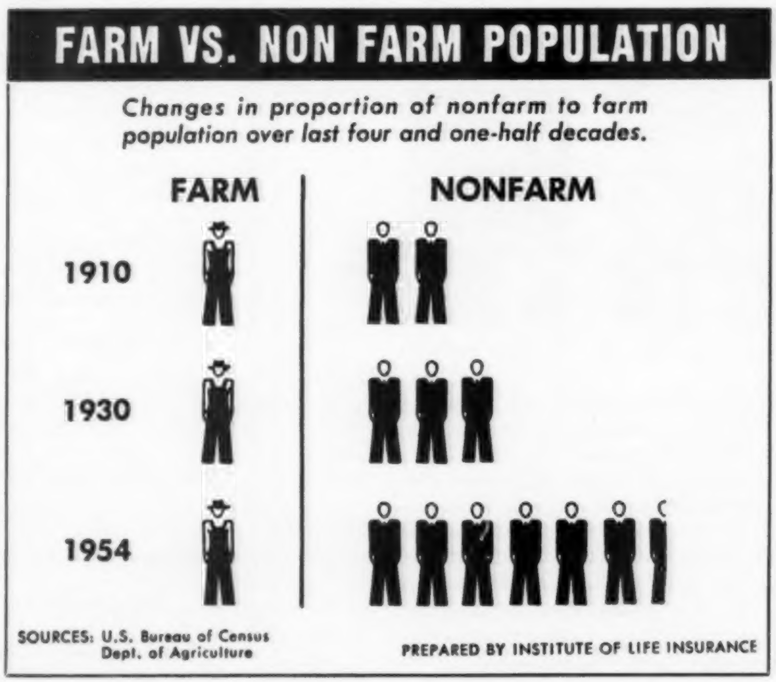
Capital growth was much faster before 1920 (about 3 per cent annually) than over the last thirty years, when it slowed down to an annual rate of about one-quarter of one per cent. The rapid capital expansion of the early period reflects the westward settlement. The much slower rate of capital growth in the later period marks the end of land expansion and is largely accounted for by the mounting substitution of mechanical power for the labor of men, horses, and mules.

In 1870, more than four-fifths of the country's farm capital was concentrated in the eastern half of the United States, north of the Delta and the Southeast regions. In 1950 the same area could claim little more than half the total. The West and Southwest, which in 1870 had owned only 10 per cent of all farm capital, in 1950 accounted for no less than 41 per cent. Only the Southeast and Delta regions were unaffected by this general shift in the distribution of capital assets; their share of total farm capital in 1950 was 7 per cent, just what it had been in 1870.

The marked regional differences in the growth of agricultural capital emphasize the westward movement of farming. In addition, the type of agriculture was important. Products like range livestock, small grains, hay, and, more recently, corn made large amounts of capital investment profitable where these products were grown. In the South, cotton and tobacco were more resistant to mechanization than the staple crops of other regions.

The supply of workers differed regionally. Competition for labor from the large industrial centers in the Northeast, the Corn Belt and the Lake States encouraged farmers to invest in labor-saving equipment. The more meager opportunities for nonfarm employment in many parts of the South contributed to the slow rate of growth of capital per worker.

Credit was not everywhere readily available. In the less prosperous farming regions, low income often made it impossible for farmers to acquire, either by cash or by credit, capital that might have raised the productivity and the income of farm workers.



*As reported in *The Growth of Physical Capital in Agriculture, 1870-1950* by Alvin S. Tostlebe, published by the National Bureau of Economic Research.

Agriculture, Biggest Part of U. S. Economy, Operated by Fewer People

SO, WHILE it takes more money every year to run a farm, the hard cold fact of American farming is that it is taking less people to run the industry—still the most important and vital part of the economy.

The long-term migration from the farm to the city, accelerated since the early Forties by war and by the great increase in non-agricultural employment opportunities, has brought the farm population down to a new low.

Current figures put the number of persons on farms at 21.9 million in April this year. This was equal to 13½ per cent of the country's entire population, the lowest proportion on record.

In 1950, the number of persons living on farms was over 25 million and the proportion to the total population was 16.6 per cent. Just before Pearl Harbor, in 1941, the farm population was 30 million and represented 22.7 per cent of the entire U. S. population. Back in 1910, the first year for which figures are available, the farm population exceeded 32 million and represented more than a third of the country's total population.

Thus over the last four and one-half decades the number of persons living on farms has declined by nearly a third and the ratio to the total U. S. population almost twice as much. There are now more than six persons in the nonagricultural population for every one living on a farm as compared with a two to one ratio in 1910. Despite the drop in the number of farmers, however, agricultural production set new records over the last decade, thanks to mechanization and better farming techniques.

The figures show a substantial decline in agricultural employment in recent years and a higher proportion of those living on farms earning their livelihood in nonagricultural industries as off-the-farm job opportunities have increased. Of the farm working population in April this year, only 5 million were employed in agriculture as compared with 6.6 million so employed in 1950. Nearly 3 million of the farm labor force were then employed in nonagricultural industries, and they represented 20 per cent of the entire farm population of working age as against 16 per cent in 1950.

A decline in the number of persons living on farms between 1950 and 1954 occurred in all age groups, but was relatively greater for those of the younger working ages. There were 1.1 million fewer children and teenagers on farms in April this year than in the 1950 month, but their 1954 proportion of the total farm population was higher than in 1950. Similarly, the proportion of those between 45 and 64, and the 65 and over group also moved up. On the other hand, the number of those between 20 and 44 dropped by 1.4 million in the four-year period, and their proportion of the total farm population went down from 30½ per cent to 28½ per cent.

>> **BIRMINGHAM ELECTS:** A YMAC member takes over as head of the Birmingham MBA. New president in this 1955 MBA Clinic city, with Robert Cotton, Clarke-Cotton Mortgage Co., Inc., retiring president, relinquishing the gavel, is the new president, Philip C. Jackson, Jr. of Jackson Securities & Investment Company. Rear, O. E. Roilings, Jr., Liberty National Life Insurance Company, new treasurer; James A. King, Reese-King Company, new vice president; and John C. Hall, Jr., Cobbs, Allen & Hall Mortgage Company, Inc., new secretary.

Norman Cox Heads Indianapolis MBA

Norman A. Cox of the American United Life Insurance Company has been elected president of the Indianapolis MBA to succeed Earl K. Layne. Vergil Miller of Union Title Company was named vice president, and Worth Barnett, of Mercantile Mortgage Company, was named secretary and treasurer.

Detroit Conference

MBA President Wallace Moir was one of the featured speakers at the unique industry-wide Housing Conference sponsored by the Detroit MBA and other interested groups in the housing and housing financing field. Roy Wenzlick, NAHB President Richard G. Hughes, Walter J. L. Ray, Stewart Matthews of Baird & Warner, Chicago and others addressed the Conference. Detroit President Robert Taggart and Alfred A. Taylor had charge of arrangements from the MBA participation. The event, started last year, is an unusual one in that every segment of the fields of housing and financing participates.

Standard Forms Are Planned by Committee

MBA's Conventional Loan Committee, headed this year by Lon Worth Crow, Jr., Miami, has some plans underway which will accrue to the benefit of the mortgage lending industry in an important way. The group has taken on the assignment of arriving at a uniform loan submission form and a standard application form. Knowing the almost countless versions of these instruments in use by all kinds of lenders and investors, it seems as though it might be a mammoth task; but the committee realizes that the need is great and the advantages which may eventually come from these successful undertakings are unlimited.

MBA Is Organized In Charlotte, N. C.

Charter officers of the new Charlotte, North Carolina MBA: Seated, Ike C. Lowe, president and director, and Mary Parks Stewart, secretary-treasurer; standing, Charles B. Rich, W. R. Cuthbertson, both directors, N. G. Speir, vice president and director, and Lex Marsh, director.

Charlotte, North Carolina mortgage bankers have organized their own local mortgage association. Ike C. Lowe, McDonald Realty and Mortgage Company, was named first president, N. G. Speir, N. G. Speir, Inc., was named vice president and Mary Parks Stewart, Marsh Land Company, was named secretary-treasurer.

Directors named include Mr. Lowe, Mr. Speir, W. R. Cuthbertson, City Savings Bank, Lex Marsh, Marsh Land Company, and Charles B. Rich, Wachovia Bank and Trust Company.

At its kick-off meeting the group had MBA President William A. Clarke as guest speaker and members of the local Home Builders Association, Charlotte Real Estate Board and Charlotte Multiple Listing Bureau were invited.

The charter membership includes forty-three individuals from twenty-one firms and there will be nine meetings a year.

In his talk before the Charlotte group, Mr. Clarke described the mortgage and home building business as being "at a high rate all over the county.

"I see no indications of recession or depression in either field."

The easy money policy of the Federal Reserve System this year has provided "ample funds for mortgage loans" with the resultant effect of tending to uphold the building industry, he said.

The easy money policy has allowed veterans to buy homes without a down payment, on a long term, low-payment basis, which "opens a new market for the home builder."

Striking at critics of a policy permitting the purchase of a home without a substantial down payment, Clarke said:

"Pride of ownership goes along with real estate whether a $1,000 is paid down or nothing. If we can help people acquire homes of their own we are assisting in making good citizens who, in turn, boost the total economy."

Election of a financial vice president and the creation of a treasurer's department within the investment division are among the changes announced by The Mutual Benefit Life Insurance Company. **Milford A. Vieser,** formerly vice president in charge of the company's city investment department, was advanced to financial vice president in charge of the investment division. He'll have jurisdiction over the bond, city investment, farm investment and treasurer's departments.

Milford A. Vieser

Paul A. Nalen

Changes in the city investment department advanced **Paul A. Nalen** from second vice president to vice president and manager. **Robert E. Smith** was promoted from city mortgage manager to second vice president and associate manager. **Phillip Heller** and **Harry C. Post,** formerly city mortgage managers, became assistant treasurers.

The farm investment department, which will move to Ames, Iowa, later in the year, will be headed by Vice President **Ira S. Hoddinott.** Reporting to Mr. Hoddinott is **Jacob C. Neff,** who advances from manager of the farm loan branch office at Ames to second vice president and associate manager. Other official changes in the department include the appointment of **Alfred P. Stempel** as assistant secretary and **Joseph N. Maxwell, Clayton Mahaffey** and **Howard E. Nickey** as associate managers.

Thomas J. Kappock, vice president of Title Guarantee and Trust Company, New York, was feted at a surprise dinner in celebration of his fiftieth anniversary with the company. He was presented by his associates with a gold watch, inscribed to commemorate the occasion. Starting as office boy, Mr. Kappock was elected vice president in 1941 and presently heads the New Jersey sales and service division.

The First National Bank of Arizona promoted **Kenneth C. Brown,** former assistant vice president to vice president, with special responsibility for mortgage loan and real estate activities. Brown, president of Arizona Mortgage Bankers Association, is widely known in real estate and construction circles.

Kenneth C. Brown

A member of MBA was voted the most interesting lecturer at the School of Banking of the South held annually at Louisiana State University. He is **John F. Austin, Jr.,** president, T. J. Bettes Company, Houston, who has spoken each year on mortgage loan servicing. This real estate financing course is one of many interesting developments in the mortgage educational field. **John M. Pickens,** vice president, Union Planters National Bank, Memphis, set up the course four years ago. It consists of five lectures, Significance and Nature of Mortgage Loans, Legal Aspects of Mortgage Lending, Essentials of Appraising, Mortgage Loan Analysis and Mortgage Loan Servicing. It is a three year course and each class is limited to one hundred students.

Howard M. Murphy, formerly associate general counsel of FHA, has opened law offices in Washington to specialize in administrative and general real estate law. He will be associated with Murphy, Duiker, Smith & Burwell, in Washington, D. C. and with the firm of Simmonds & Culler, in Arlington, Virginia.

De Blois Milledge has been named general agent of The Title Guarantee Co. of Baltimore for Arkansas, Florida, Georgia and Tennessee with headquarters in Miami.

Miles C. Babcock, a former Prudential official, has been appointed mortgage officer of Teachers Insurance & Annuity Association, R. McAllister Lloyd, president, announced. Mr. Babcock will be in charge of the mortgage and real estate department.

Miles C. Babcock

Mr. Babcock was associated with the Prudential for seven years and during the past four years, was supervising appraiser in its regional office at Denver. He was with Prudential in Seattle, Washington from 1947 to 1950.

A native of Seattle, Mr. Babcock was graduated from the University of Washington where he majored in economics and real estate.

New Members In MBA

ARIZONA, *Tucson:* Newell & Robbs Mortgage Bankers, Vernon L. Newell, president. ARKANSAS, *Blytheville:* David Investment Company, E. B. David, president. CALIFORNIA, *Los Angeles:* Allied Building Credits, Inc., G. W. Petersen, manager; Main and Company, D. W. Switzer; *San Francisco:* T. J. Bettes Company of California, Max L. Bates, vice president. FLORIDA, *Fort Lauderdale:* Allied Investment Corporation, R. V. Zaloudek, branch manager; *Miami:* The First National Bank of Miami; J. I. Kislak Mortgage Corporation. GEORGIA, *Atlanta:* Georgia Securities Investment Corporation, Jere M. Mills, president. HAWAII, *Honolulu:* T. J. Bettes Company of California, Alex H. Castro, vice president. INDIANA, *Indianapolis:* F. B. McKibbin; The Indiana National Bank of Indianapolis, Shelley M. Givens. MICHIGAN, *Muskegon:* The Hackley Union National Bank of Muskegon, Orville F. Janis. MISSISSIPPI, *Jackson:* Frederick W. Berens, Inc., Paul C. King, Manager. LOUISIANA, *New Orleans:* National Bank of Commerce in New Orleans, Eads Poitevent, vice president. NEW YORK, *New York:* U. S. Steel Homes Credit Corporation, W. H. Lang, president. NORTH CAROLINA, *Charlotte:* Thies Realty & Mortgage Company, Frank R. Thies, president; *Raleigh:* State Capital Life Insurance Company, T. W. Alexander, vice president. OKLAHOMA, *Tulsa:* T. J. Bettes Company, Louise Freese. TEXAS, *Dallas:* Graham & Locke Investments, Inc., C. A. Locke, vice president; *Fort Worth:* Jas. K. Ross Agency, George W. Rupe; *Houston:* First Continental Mortgage Co., Davis Faulkner, president. UTAH, *Salt Lake City:* Richards-Woodbury Mortgage Corp., Melvin L. Woodbury, secretary-treasurer. VIRGINIA, *Roanoke:* Angell Mortgage & Realty Company, Frank R. Angell.

1954 Housing Act Represents Great Opportunity but It Has Some Flaws

The Housing Act of 1954 could prove to be the most important social and economic legislation enacted during the Eisenhower administration, a law as important as those that established the Federal Reserve System, farm parity, or guaranteed labor union rights. But it will not work smoothly or effectively, says *House & Home,* "unless and until everybody concerned, from President Eisenhower down to the smallest subcontractor, pitches in to make it work." and to correct some defects in it in its present form.

As analyzed by this magazine, the new act could have the same dynamic effect on the improvement of existing houses that FHA and VA have already had on the building of new houses. It could also have the same dynamic impact on the quality-house market that FHA and VA have already had on the low-cost house market. It could do much to halt the decay of our cities and the growth of slums, and to make it easy for every American family to improve or modernize its present home, or to trade its old house in as the down payment for a better new home. But before America can get the full benefit of the new law, the magazine adds:

» **The President and Congress** must recognize that in putting through this legislation they have done something far more important than they knew. They must take effective steps to restore confidence (and self-confidence) in the housing agencies they are discrediting. They must let FHA spend enough more of its own income to do its new job right. They must fix up some of the blind spots in the law that make many sections unworkable.

» **FHA** must modernize and streamline its appraisal procedures, employ

(Continued on next page)

a lot more first-class appraisers at much better pay, and work out a new underwriting approach that will make its appraisals dynamic without sacrificing their integrity and soundness.

>> **Lending institutions** must put up far more money than they have ever before provided to finance neighborhood improvement and home modernization—on top of putting up more money to finance more new houses at higher prices than they have ever financed before.

>> **Savings and loans** now the biggest single source of money to refinance existing homes, must come to terms with FHA and work out a way to take advantage of the new provisions. This will probably require additional legislation.

>> **Homebuilders** must wake up and realize that trade-ins could be as important to their new-house market as they are to the new car market.

>> **Realtors** must get into the act in a big way, perhaps by setting up used-house exchanges in every community where home owners can trade in their old house at the FHA valuation to provide the down payment required to buy a new house or a better used house.

>> **All remodelers** must recognize that this is far more than a shot in the arm to the upper- and middle-income repair and modernization market in which they have heretofore operated; this is their chance to tap completely new and different markets in millions of low-priced houses that today get little maintenance and no modernization.

>> **Architects** must take a new interest in designing economy, livability and delight into remodeling for the average family. They must develop a completely new discipline to get this good design at lowest cost for the client and lowest cost for themselves.

>> A broadly representative, nongovernmental organization must be formed (as the President's Advisory Committee on Housing urged) to help promote and lead a dynamic program for renewal of the towns and cities of America. The public must be informed about this new legislation and public opinion must be mobilized so that citizens' committees in communities all over the nation will take action to conserve and renew their existing housing.

In many ways, the new law "is the homebuilding industry's own Housing Act, so every segment of the industry has a direct and special responsibility for making it work." But because the new law is based mainly on industry recommendations, the industry is also "in a very tough spot," the magazine adds. "First the President and then Congress made enough changes in the industry's recommendations so that many sections of the law just plain

(Continued on inside back cover)

PERSONNEL

In answering advertisements in this column, address letters to box number shown in care of the Mortgage Bankers Association of America, 111 West Washington Street, Chicago 2, Illinois.

If you are experienced in mortgage underwriting and also in appraising real estate, and are still under 35, then agewise and work-wise, you are ready for a connection with a well known eastern insurance company and definitely in line for continued advancement to key positions. Give all information useful in determining eligibility, personal and professional. Small photo helpful. Write Box 306.

PREFAB SALESMAN — Indiana and Ohio. Familiar with FHA Title II policies and procedures. Salary and expenses. We have complete financing with our package. Our employees know of this ad therefore write freely and fully of your experience to Box 307.

Mortgage Loan Appraiser

Old established midwest life insurance company with over $250,000,000 admitted assets, needs young man between 30 and 35 for position in mortgage loan department of Home Office Investment Department. Should have experience in real estate appraisals preferably with insurance company or mortgage banking concern. Commercial and industrial experience desirable. Some traveling. Replies confidential. Write Box 308.

Mortgage banking firm in California seeks to find mortgage man with at least four years experience with FHA and VA loans. Must be thoroughly grounded in all phases of business, from originating to sale of loans and servicing. Applicant should submit photograph with detailed résumé of experience and salary required. Prefer man in late 30's. All inquiries will be held in strict confidence. Write Box 309.

Mortgage officer available. 20 years experience analyzing, processing and servicing all types of mortgages, appraising real estate and administrative duties with mortgage and investment companies. Interested in connection with progressive institution or correspondent. Write Box 310.

Institutional investor wants to employ young man with mortgage closing experience. Good opportunity for advancement. Write Box 311.

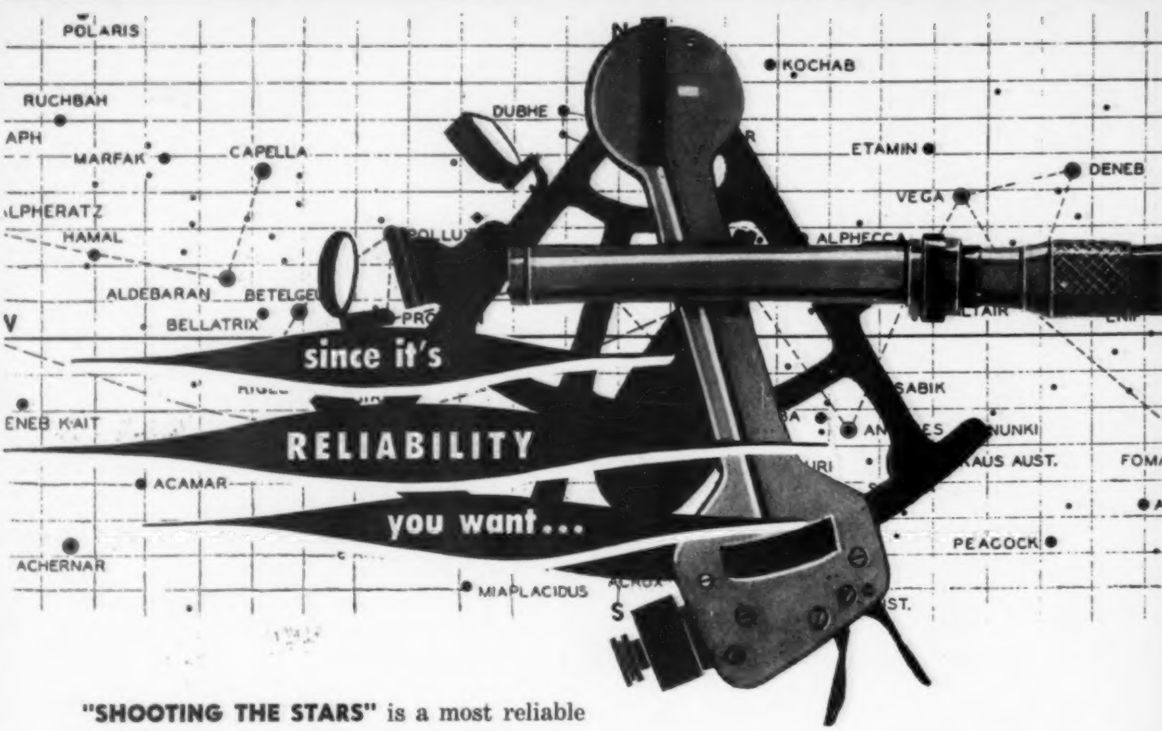
(Continued from page 52)

can't be made to work until they are amended or much better implemented. This is particularly true of the rehabilitation of rental housing under Section 220.

"Some people will find ways to make a lot of money fixing up existing houses with the help of the new Act. And no doubt a lot of other people will lose money letting smarter competitors get ahead of them.

"Twenty years after FHA started the revolution in homebuilding there are still plenty of builders, plenty of money lenders, plenty of lumber dealers, and plenty of building material producers who don't understand what has happened and why and who keep expecting a return of the good old days of handicraft homebuilding.

"The profits some people will make under the new law will be great, but that is no reason why they should not be perfectly legitimate and perfectly honorable. They will cost the taxpayers not a penny if the FHA appraisals that permit those profits are sound and true."



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